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memo	From Brzezinski to The President (1 page) re: Request from President Kaunda /enclosed in Hutcheson to Brzezinski 12/6/77	12/6/77	A

## FILE LOCATION

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THE PRESIDENT'S SCHEDULE

Tuesday - December 6, 1977

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8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:30 Meeting with Secretary Joseph Califano et al.  
(40 min.) (Mr. Stuart Eizenstat and Mr. Jack Watson).  
The Cabinet Room.

10:30 Mr. Jody Powell - The Oval Office.

11:15 Admiral Stansfield Turner - The Oval Office.

11:30 Vice President Walter F. Mondale, Admiral  
Stansfield Turner, and Dr. Zbigniew Brzezinski.  
The Oval Office.

1:30 Mr. James McIntyre - The Oval Office.

2:00 Budget Review Meeting. (Mr. James McIntyre).  
(3 hrs.) The Cabinet Room.

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Stu Eizenstat

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Jim McIntyre

RE: TARGET PRICES FOR 1977 CROPS  
OF GRAIN SORGHUM AND BARLEY

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
✓		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
✓		LANCE <i>jm</i>
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE PRESIDENT HAS SEEN.  
EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

*Stu  
hold  
J*

December 3, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT  
JIM MCINTYRE

*Stu  
Jim McIntyre*

SUBJECT: Target Prices for 1977 Crops of Grain Sorghum  
and Barley

Target prices for 1977 crops of grain sorghum and barley were set in February under the previous law.

The Secretary of Agriculture now proposes to set new target prices under the current farm bill for the already-harvested 1977 crops as follows:

	Oct. Average Price Rec'd \$/bu.	Current Target \$/bu.	Proposed Target Price \$/bu.	1978 Outlays From Increased Target
Grain Sorghum	1.49	1.62	2.28	\$315M
Barley	1.60	1.39	2.15	\$220M

While you have decided 1978 target prices for these crops, the issue of the 1977 targets has not been previously presented.

The present issue is whether you should concur in raising the 1977 targets as proposed, incurring \$535M in FY 1978 Commodity Credit Corporation (CCC) outlays.

Discussion

During the internal Administration consideration of issues related to development of the Administration position on the farm bill, OMB argued against setting target prices for sorghum, barley, and oats at cost of production, opting for using the feed value relative to corn instead. Nevertheless, after hearing the oral arguments on both sides, you decided on the cost of production level. Acceptance of the cost of production level for 1978 and future crops was communicated by letter from Secretary Bergland on July 21, 1977, during House debates on the farm bill. Also on July 21, the Secretary, without consultation with

OMB or other Executive office entity, promised Congressman Poage that he would set sorghum and barley targets at cost of production for the 1977 crop as well as crops yet to be planted. This promise was repeated on the floor of the House as part of the farm bill debate. (See Tab A)

The Food and Agriculture Act of 1977 mandated 1977-crop price support for sorghum but left it discretionary for barley. Thus, the Administration is committed by the new law to establish a 1977 target for grain sorghum, but is not mandated by law to set one for barley. Cost of production levels are to be used for any targets set, according to the legislative history.

Thus, the Secretary's proposal is consistent with the Food and Agriculture Act of 1977 and its legislative history.

Because these crops have long since been planted and harvested, OMB sees the increase in the 1977 targets, costing \$535M, as a direct transfer payment to growers which has no effect on planting decisions.

OMB agrees that we have no choice under the law for the sorghum target, but raises the possibility of reconsideration on the barley target because of the less binding nature of the legislative history and the potential \$220M budget saving.

The arguments favoring not increasing the 1977 barley target are:

- The primary justification put forth for a higher target is to affect planting decisions, but in this case no planting decisions will be affected - the crop is already harvested.
- At time of planting, growers expected the lower target price.
- Barley (except malting barley) is grown primarily as a rotation crop and for winter pasture and ground cover, and seldom returns cost of production. Thus, some loss on barley is part of the cost of producing other crops.
- There is no particular evidence of hardship specific to localities or to groups of producers that would be alleviated by the increase.
- We already project that direct payments, and net outlays for loans and purchases of all supported items will reach \$5.4 billion in FY 1978.
- We have set a cost of production target for 1978 barley, thus demonstrating the intention to administer the new farm bill according to the intent of Congress.

The arguments favoring the increased 1977 target are:

- The legislative history - we acknowledged it would be unfair to deny barley producers increased payments on their 1977 crops that the law has mandated for corn, grain sorghum, and wheat.
- The \$220M will be a direct contribution to farm income which will be welcomed in a relatively low farm income year. It has been estimated that the feed grain set-aside program recently announced will cause farm income to be \$800M lower in crop year 1978.
- Farmers who are already so dissatisfied as to demonstrate and talk strike this year will accuse the Administration of bad faith, unless we raise the 1977 barley target.

#### Recommendation

We both feel very strongly that you should tell Secretary Bergland that commitments of this magnitude made without going through the OMB-DPS clearance process must not be repeated again. As you will remember from our experience with the Farm Bill, this is not the first time that this has happened with the Department of Agriculture. At the same time, Secretary Bergland having made the commitment to a number of Congressmen, would have his position with them severely undercut if we flatly refuse to increase the target price. Therefore, the best course of action seems to be the following:

1. Secretary Bergland be instructed to approach the leadership of Agriculture committees and make a good faith effort at convincing them that they should not establish a cost of production target for 1977 crop barley for the various excellent reasons cited in this memorandum.
2. If he cannot persuade the committee leadership and if they hold him to his commitment, that he be permitted to announce the higher 1977 target price.
3. That you indicate to Secretary Bergland your displeasure with these sorts of costly commitments made without clearance and indicate you will not be able to back him on others made without proper clearance. We both feel that the only way to stop costly commitments by this Department and other Departments is ultimately to refuse to back up such unilateral commitments.



Life Union for the further consideration of the bill (H.R. 7171) to establish more responsive programs for the benefit of farmers and consumers of farm products; to extend and improve the programs conducted under the Agricultural Trade Development and Assistance Act of 1954, as amended; and for other purposes.

The SPEAKER pro tempore (Mr. WRIGHT). The question is on the motion offered by the gentleman from Washington (Mr. FOLEY).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. ASHBROOK. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 352, nays 4, not voting 77, as follows:

[Roll No. 451]

YEAS—352

Abdoh	Collins, Ill.	Gore
Akaka	Collins, Tex.	Gradison
Alexander	Conable	Grassley
Allen	Conte	Gudger
Ammerman	Corcoran	Guyer
Anderson	Corman	Hagedorn
Calif.	Cornell	Hall
Anderson, Ill.	Cornwell	Hamilton
Andrews, N.C.	Coughlin	Hammer
Andrews	D'Amours	schmidt
N. Dak.	Daniel, Dan	Hanley
Annunzio	Daniel, R. W.	Hannaford
Archer	Danielson	Hansen
Ashbrook	Davis	Harkin
Ashley	de la Garza	Harris
Aspin	Delaney	Hatch
AuCoin	Derrick	Hawkins
Bafalis	Derrinaki	Heckler
Baldus	Devine	Hefner
Barnard	Dicks	Hefner
Baucus	Dodd	Hightower
Bauman	Dornan	Hillis
Beard, R.I.	Downey	Hollenbeck
Beard, Tenn.	Drinan	Holt
Bedell	Duncan, Oreg.	Holtzman
Benjamin	Duncan, Tenn.	Horton
Bennett	Eckhardt	Howard
Beverl	Edgar	Hubbard
Bingham	Edwards, Ala.	Huckaby
Blanchard	Edwards, Calif.	Hughes
Blouin	Edwards, Okla.	Hyde
Boland	Elberg	Ichord
Bonior	Emery	Ireland
Bonker	English	Jeffords
Bowen	Erlenborn	Jenkins
Breaux	Evans, Colo.	Jennette
Bricklinridge	Evans, Del.	Johnson, Calif.
Brinkley	Evans, Ga.	Johnson, Colo.
Broadhead	Evans, Ind.	Jones, N.C.
Brooks	Fary	Jones, Okla.
Broomfield	Fasell	Jones, Tenn.
Brown, Calif.	Fenwick	Jordan
Brown, Mich.	Findley	Kasten
Brown, Ohio	Fish	Kastenmeier
Broyhill	Flaher	Kazen
Buchanan	Fithian	Kelly
Burgener	Flood	Kemp
Burke, Calif.	Florio	Ketchum
Burke, Fla.	Flowers	Kildee
Burleson, Tex.	Flynt	Kosumayer
Burison, Mo.	Foley	Krebs
Burton, Phillip	Ford, Tenn.	LaFalce
Butler	Foran	Lagomarsino
Caputo	Fountain	Latta
Carr	Fowler	Le Pante
Carter	Fraser	Leach
Cavanaugh	Fugus	Lederer
Cederberg	Gaydos	Lehman
Chappell	Gibbons	Lent
Clawson, Del.	Gilman	Levitas
Clay	Ginn	Lloyd, Tenn.
Cochran	Glickman	Long, La.
Cohen	Gonzalez	Long, Md.
Coleman	Goodling	Lott

Luken	Panetta	Spence
Lundine	Patterson	Stankard
McClary	Patterson	Stanton
McCormack	Pease	Steers
McDade	Pepper	Steiger
McDonald	Perkins	Stokes
McFall	Pettis	Stratton
McHugh	Pickle	Studds
McKay	Pike	Stump
Madigan	Poage	Symms
Maguire	Presler	Taylor
Mahon	Freyer	Thompson
Marky	Price	Thone
Marks	Quayle	Thornton
Marlenee	Quie	Traxler
Marriott	Rahall	Treen
Martin	Rallsback	Trible
Mathis	Rangel	Trongas
Mattor	Regula	Tucker
Mazoli	Reuss	Udall
Meeds	Rhodes	Ullman
Meyner	Richmond	Van Deertlin
Michel	Rinaldo	Vank
Mikulski	Rosenboover	Vento
Mikva	Roberts	Volkmer
Miller, Calif.	Robinson	Waggonner
Miller, Ohio	Rodino	Walgren
Mineta	Boe	Walker
Mintah	Rogers	Wampler
Mitchell, N.Y.	Roncallo	Watkins
Moakley	Rooney	Warman
Moffett	Rosenthal	Weaver
Mollohan	Rostenkowski	Weiss
Moore	Roussellot	Whalen
Moorhead, Calif.	Roybal	White
Moorhead, Pa.	Rudd	Whitehurst
Murphy, N.Y.	Russo	Whitley
Murphy, Pa.	Ryan	Whitten
Myers, Gary	Sarasin	Wiggins
Myers, John	Batterfield	Wilson, Bob
Myers, Michael	Sawyer	Wilson, C. H.
Natcher	Scheuer	Winn
Nedzi	Schroeder	Wirth
Nichols	Sebellus	Wolf
Nix	Sharp	Wright
Nolan	Shuster	Wyder
Nowak	Simon	Wyllie
O'Brien	Slak	Yates
Oaker	Skelton	Yatron
Oberstar	Slack	Young, Fla.
Oby	Smith, Iowa	Young, Mo.
Oettinger	Smith, Nebr.	Young, Tex.
	Snyder	Zablocki
	Solarz	

NAYS—4

Armstrong	Lloyd, Calif.	Mitchell, Md.
Ertel		

NOT VOTING—77

Addabbo	Dingell	Murphy, Ill.
Ambro	Early	Murtha
Applegate	Flippo	Neal
Badham	Ford, Mich.	Pritchard
Badillo	Frenzel	Pursell
Bellenson	Fry	Quillen
Blaggi	Gammage	Roe
Boggs	Gephardt	Runnels
Bolling	Glamo	Ruppe
Brademas	Goldwater	Santini
Burke, Mass.	Harrington	Schulze
Burton, John	Holland	Selberling
Byron	Jacobs	Shipley
Carney	Keys	Sikes
Chisholm	Kindness	Skubitz
Claumen	Koch	Spellman
Don H.	Krueger	St Germain
Cleveland	Leggett	Stark
Conyers	Lujan	Steed
Cotter	McClackey	Stockman
Crane	McEwen	Teague
Cunningham	McKinney	Vander Jagt
Dellums	Metcalfe	Walsh
Dent	Montgomery	Wilson, Tex.
Dickinson	Moss	Young, Alaska
Diggs	Mottl	Zefertli

So the motion was agreed to.

The result of the vote was announced as above recorded.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 7171, with Mr. EVANS of Colorado in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Thursday, July

21, 1977, title V had been considered as having been read and open to amendment at any point.

Mr. POAGE. Mr. Chairman, I move to strike the last word.

(Mr. POAGE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Chairman, I take this time inasmuch as I have advised a number of the Members that I would offer an amendment on this section which would change the method of payment compensation on the target price on barley and grain sorghum. Since I am not going to do so, I wanted to explain why.

The purpose of that amendment was simply to make sure that the grain sorghum and barley prices were in line with the cost of production, which is somewhat higher than it would be if figured from the feed value of corn. We believe that this would save the Government considerable money because it would tend to encourage people to transfer their plantings. It is felt that by establishing the target price for feed grains on the cost of production, as we do for all other commodities, that it would encourage growers in the western section of the grain-growing area of the United States to grow, in the North, barley, and in the southern part to grow sorghum rather than growing wheat.

Supports for grain sorghum and barley will cost the Government very little inasmuch as the market for these commodities is much better than the market on wheat. If the land goes into wheat it will cost the Government a good deal more than it would if planted in feed grains. Therefore we feel that there is a substantial saving to the Government if we can encourage farmers of this area to plant feed grains rather than wheat.

The reason I do not offer the amendment is that on July 21, Secretary of Agriculture Bergland wrote to our chairman, the gentleman from Washington (Mr. Foley) and stated in the letter as follows:

DEPARTMENT OF AGRICULTURE,

Washington, D.C., July 21, 1977.

Hon. THOMAS S. FOLEY,  
Chairman, House Committee on Agriculture,  
Washington, D.C.

DEAR Mr. CHAIRMAN: The purpose of this letter is to clarify the intent of the language on lines 20-23, page 16 of H.R. 7171, with respect to the payment rate for grain sorghum and barley.

This language authorizes the Secretary to establish sorghum and barley target prices that are comparable to those for corn. The 1978 target price for corn, at \$2.10 per bushel, using 1975 and 1976 cost data, covers average variable machinery ownership, and general farm overhead costs, plus a 7 percent return to management and a 4 plus percent return to land when corn land is valued at its current price.

The inclusion of these same components of the cost of producing sorghum and barley leads to 1978 crop target prices of about \$2.35 and \$2.30 per bushel respectively. These target prices are, in our view, "fair and reasonable in relation to the rate at which payments are made available for corn," and is our intention to establish them in the manner. For 1979-81 these target prices will be modified using the formula appearing lines 13-20, page 18.

the bill, there is no need for amendment. However, if this appears to be the intent of the Committee, the administration favors an amendment to permit the Secretary to establish target prices for grain sorghum and barley in the manner described above.

I would appreciate a clarification of this matter.

Sincerely,

BOB BRIDLAND,  
Secretary

Last night I talked with the Secretary, and he assured me that the same regulation would apply to the 1977 crop, as to the crops mentioned in this letter. For that reason we feel there is no need for offering an amendment.

Mr. POLEY. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Washington.

Mr. POLEY. I thank the gentleman for yielding.

As chairman of the committee, it is my view—and I state this for the purpose of making legislative history—that the interpretation of the Secretary contained in his letter which the gentleman from Texas has just read in the well, and the application of that letter to the 1977 crops are consistent with the language of the bill. There is no need for an amendment, and that the Secretary's interpretation and the bill are in accord.

AMENDMENT OFFERED BY MR. ABDNOR

Mr. ABDNOR. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ABDNOR: Title V, section 501, page 15, line 12, after the words "by the Secretary," insert the words "oats and" and on page 16, line 21, after the word "Secretary," insert the words "oats and".

(Mr. ABDNOR asked and was given permission to revise and extend his remarks.)

Mr. ABDNOR. In support of this amendment I would make the following points:

First. Corn, grain sorghums, barley, and wheat are eligible for target price payments—but not oats.

Second. In times of depressed market prices target price protection on other commodities but not oats constitutes a distortion of the market which may induce farmers to plant more acres of the other crops which are already in surplus and less of oats.

Third. Although I think of the area of South Dakota where my farm is located as a winter wheat area, according to USDA's Agricultural Statistics, 1978, yearbook, in the recent years of 1973-75 South Dakota farmers planted nearly three times as many acres to oats as to winter wheat and harvested four times as many bushels of oats.

Fourth. In recent years, South Dakota has been the second largest producer of oats—Minnesota has been first in production of oats.

Fifth. Four States, South Dakota, Minnesota, North Dakota, and Iowa, respectively, plant about 50 percent of the national acreage of oats. South Dakota plants about 15 percent of the total alone. It is easy to understand why my

since it may not be important to them, but it is a very important crop to South Dakota farmers.

Sixth. Nationally, in 1975, the acres harvested and value of production of corn, wheat, barley, soy beans, grain sorghum, and oats are:

	Acres	Value (millions)
Corn	77.9	\$14,204.7
Wheat	69.66	7,497.43
Soybeans	53.6	7,000.34
Grain sorghum	15.48	1,782.31
Oats	16.65	\$40.24
Barley	2.7	913.95

Seventh. In South Dakota the acres harvested and value of production for corn, wheat, barley, soybeans, grain sorghum, and oats are:

1975	Acres	Value (millions)
Wheat	2,003	\$253.65
Corn	2,250	199.8
Oats	2,230	137.37
Barley	570	38.87
Soybeans	837	37.07
Grain sorghum	237	13.99

So in South Dakota oats is far more important than barley or grain sorghum and nearly as important as corn.

Eighth. Nationally, in 1975, the total value of production of oats was \$904,244,000 and sales totaled \$363,944,000. The bulk of the oats is consumed on the farm—404,683,000 bushels used for feed and seed versus 252,179,000 bushels sold.

I suppose this could be used as an argument against providing target payments on oats, but I do not believe it is a valid argument because the economic value of the commodity on the market remains the same whether it is sold or not. Also, target payments for wheat, corn, barley, and grain sorghum are made on yield times allotment acres—not bushels sold.

Finally, much of the corn and barley produced is consumed or planted on the farm too. For example, in 1975 corn for feed and seed totaled 2,098,355,000 bushels versus 3,670,636,000 bushels sold; barley for feed and seed totaled 102,934,000 bushels versus 280,046,000 bushels sold; and grain sorghum for feed and seed totaled 176,612,000 bushels versus 581,842,000 bushels sold.

Ninth. As implied by the large percentage of oats consumed on the farm, target price and disaster payment coverage will provide a measure of additional assistance to America's stockmen, who have been among the most embattled of all farmers in the economic and environmental throes of drought and disastrous market prices. It will, in a small way, help to offset the negative gains they have been forced to endure in feeding animals for which they will be unable to recover their cost of production.

Tenth. In the 1977 farm bill we are moving to an allotment system based on current plantings, rather than historical

text, and particularly with dismal market prospects, the target and disaster coverage inducement to plant wheat, corn, barley, soybeans and grain sorghum will be greatly magnified.

Eleventh. The market price for oats has dropped precipitously in recent months. According to USDA's Agricultural Marketing Service, the Minneapolis market price peaked at \$1.93 per bushel in June 1976, declined to \$1.62 in November of last year, and continued to decline to \$1.38 in June of this year, the latest month for which their statistics are available.

Locally, in my hometown of Kennebec, S. Dak., the drop has been even more dramatic. The manager of the local elevator quoted me a price of 74 cents per bushel yesterday, down from \$1.65 only 3 months ago! And prospects are bleak for any improvement in the market in the foreseeable future.

Mr. Chairman, I urge adoption of this vital amendment to bring greater equity to the oats farmers of America and a greater degree of uniformity to the farm program.

Mr. POLEY. Mr. Chairman, will the gentleman yield?

Mr. ABDNOR. I am happy to yield to the gentleman from Washington.

Mr. POLEY. I thank the gentleman for yielding.

This amendment has the support of the administration, and I personally accept the amendment and urge its adoption.

Mr. SEBELIUS. Mr. Chairman, will the gentleman yield?

Mr. ABDNOR. I yield to the gentleman from Kansas.

Mr. SEBELIUS. I thank the gentleman for yielding.

I commend the gentleman on his amendment and accept it on this side.

Mr. ABDNOR. I thank the gentleman.

Mr. ANDREWS of North Dakota. Mr. Chairman, will the gentleman yield?

Mr. ABDNOR. I yield to the gentleman from North Dakota.

Mr. ANDREWS of North Dakota. I thank the gentleman for yielding.

I want to commend the gentleman on this amendment. This amendment is long overdue, because oats is one of the principal crops in certain areas of the country that cannot grow other feed grains. It is an amendment which represents equity and fairness to those of us in the Upper Great Plains. I want to commend the chairman of the committee for accepting the amendment.

Mr. ABDNOR. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota (Mr. ABDNOR).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. SMITH of Iowa. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Iowa: In line 11 on page 18 change "December 30" to "November 15," and on page 19 in lines 22 and 23 strike, "February 15 of the year in which the crop is harvested" and insert "November 15 of each calendar year for the crop harvested in the next succeeding calendar year."

time the price starts up. I think many of these things can be overcome by a policy to go out and sell American agriculture in foreign markets, and this must be done by lowering the loan price, and promoting American products abroad—then when sales are made—not allow any idiotic boycotts and embargoes against American exports.

In summary, the American farmer can look forward to 4 years of decreased farm markets and income and increase of Government control.

Mr. FOLEY. Mr. Speaker, I yield 2 minutes to the chairman of the Committee on the Budget, the gentleman from Connecticut (Mr. GAIAMO).

Mr. GAIAMO. Mr. Speaker, I just want to make a few things clear to two of my colleagues on the minority side who seem to take exception to the fact that I cautioned the Members about the huge expenditures that we are going to be making in agriculture. Our present estimates are in the area of about \$6.3 billion, and probably will be higher if agricultural prices do not go up or if we have too much in the world market come next year.

But my concern is a very real one. It is all well and good to argue, "Well, we are going to spend \$12 billion for the international financial institutions," or, "We are going to spend moneys for other things, foreign aid and the like."

Yes, we are. There are all kinds of expenditures which we have to make as a country. There is included \$110 billion for defense, moneys for foreign aid, moneys for the international financial institutions to help other people in other countries, and many other kinds of aid. There are many other kinds of programs, and they are all necessary to insure us peace and tranquility in the world, and, hopefully, we will have a good economic recovery at home and also around the world.

That does not mean, however, that we can be profligate in any area. We have to watch our expenditures as much as possible in all areas.

This is my concern in agriculture. I am concerned that we are overreacting, mainly because of our concern for the small farmer who makes his living out of agriculture. But that is one of the great fallacies in this business of agriculture, that we think of all farmers as poor, struggling farmers trying to eke out a living from the soil.

I recall that one inclusion in this legislation was a great amount of money for sugar growers. I happen to know some sugar growers, and I can assure the Members that they are not small farmers. Yet we are guaranteeing that whatever they do, they are not going to take a loss. That is something that we do not do for any other American.

Mr. FOLEY. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from Iowa (Mr. SMITH).

Mr. SMITH of Iowa. Mr. Speaker, this is, of course, a major bill, and I want to commend the committee for the generally good job it has done on this bill. It has been a major undertaking and since it cannot be amended, I will vote for it.

I do, however, want to disown a couple of provisions that the conferees agreed to. Those provisions are, I think, very, very bad, and I am surprised the conferees agreed to them.

One of the things I have been interested in for a good many years, perhaps about 12 years, is the transforming of surpluses into reserves. Basic in the concept of making a surplus a reserve is some kind of a restriction upon resale of Government-owned stocks and recall of farmer held commodities under loan. Now, in the case of those grains that are held by farmers in storage, the way to prevent them from dumping is to provide a minimum below which they cannot be forced to pay their loans.

In this case, we had it set at 140 percent, and the Secretary could not force them to redeem the stored grain unless it reached 140 percent of the loan rate.

That provision has been left in the bill for wheat, but for feedgrains the language says the secretary can set a trigger "at such appropriate level as the Secretary determines," which means he could trigger redemption at 1 penny above the loan rate. That means the grain will be considered a surplus again at that lower level. That is the difference between a reserve and a surplus.

Also, we have had a provision in this reserve proposal for years which I thought was good, and that provided that whatever the Commodity Credit Corporation owns cannot be sold at less than 150 percent of the loan rate. That provision has been negotiated in a provision added in conference which was lifted from an old law which says the Commodity Credit Corporation can sell at any price if they label the grain as being in danger of loss.

We know that about 10 or 12 years ago they sold whole elevators full of corn and wheat just by saying it was in danger of loss, and they sold it at prices that were even below the loan rate. When it was delivered, it was found to be in storable condition and they were not required to replace it.

It was not necessary to put that old provision in here in order to permit rotation or disposal because under the provisions of the regular bill we had provided that if they do sell, they can sell any time they want to but they must replace it within 24 hours.

Under this new provision, they can sell without offsetting sales with purchases. The fear that they might do so puts a downward pressure on the market at the wrong time.

Mr. Speaker, those are 2 terribly bad provisions. I cannot imagine why the conferees on the House side, let alone those on the Senate side, accepted those two basic and bad changes in the reserve provisions of this bill. As one Member who has authored this language for many, many years, I specifically want to disown those two particular new provisions in the reserve section of the bill.

The SPEAKER pro tempore. The gentleman from Virginia (Mr. WAMPLER) has 4 minutes remaining.

Mr. WAMPLER. Mr. Speaker, I yield the remainder of my time to the distinguished gentleman from Illinois (Mr. FINDLEY).

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Speaker, despite all of the good will and praise that has been showered upon this bill and upon those who brought it to this point—and I certainly join in the praise for the gentleman from Virginia (Mr. WAMPLER), and for the gentleman from Washington (Mr. FOLEY); they have provided skillful and considerate leadership—despite all of this good will and praise, I cannot but believe that the chairman of the House Committee on Agriculture, the gentleman from Washington (Mr. FOLEY), like myself, is deeply troubled about this bill.

Mr. Speaker, considering the enormous outlays of public funds, the high level of target-price payments, of loan rates, and the effect that these outlays will have on farm management decisions, resulting in the accumulation of stockpiles, surely, he, like myself, must view this bill with considerable concern.

In fact, for my part, I feel that this bill is going to put agriculture in deep distress within a year's time. In fact, wheat is already in trouble, corn is in trouble; and despite that trouble, the Secretary of Agriculture has not seen fit to utilize the escalator loan-rate provision for feed grains to lower the loan rate for corn to make it easier to merchandise in the coming year. He has elected to keep it at \$2.

We have wheat running out our ears. We will soon have corn running out our ears. In fact, I predict the administration would resume export subsidies within a year in order to deal with mounting surpluses. That will add new cost to the programs.

Mr. Speaker, there is one aspect of this bill which needs clarification. I hope my friend, the chairman of the House Committee on Agriculture, will be willing to engage in a little colloquy to, hopefully, express the sense of the Congress on this point.

As the chairman knows, in the past the price-support provisions for the noncorn feed grains have been related to the feeding value of grain sorghum, of barley, and of oats; and when programs have been established, the target-price payments for these grains have been based on their feeding value in relationship to the corn.

The language in the conference report itself suggests as a possible definition of the new language, which reads "fair and reasonable" instead of "feeding value," that this could be based upon component costs of production as with corn.

If that definition is accepted by the Secretary, Mr. Speaker, it means a deficiency payment of 49 cents a bushel for grain sorghum, of 70 cents a bushel for barley, and of 80 cents a bushel for oats. We do not know that programs will be established for all of these commodities, but based upon the impulses and the record of the administration so far, I think we have to assume the worst and that these programs will be implemented.

Mr. Speaker, my question for the gentleman from Washington (Mr. FOLEY) is this: Is it not correct that the conference report leaves considerable flexi-



ability in the hands of the Secretary of Agriculture to determine the level of deficiency payments for the noncorn feed grains?

Mr. FOLEY. Mr. Speaker, if the gentleman will yield, the gentleman is exactly correct. The conference report indicates that the relationship between the designated feed grains and corn shall be one that is fair and reasonable.

Mr. FINDLEY. Yes.

Mr. FOLEY. The definition of the term "fair and reasonable" expressed by the conferees was not intended to be findings, but rather to give the Department of Agriculture the broadest possible authority in fixing the levels of payment.

The SPEAKER pro tempore. The time of the gentleman from Illinois (Mr. FINDLEY) has expired.

Mr. FOLEY. Mr. Speaker, I yield 1 additional minute to the gentleman from Illinois.

Mr. FINDLEY. Mr. Speaker, I thank the gentleman for yielding.

Am I correct, then, that the Secretary could establish a deficiency payment level for noncorn feed grains anywhere between the former practice and the level mentioned in the conference report which refers to "component cost of production"?

Mr. FOLEY. In my judgment that is correct.

Mr. FINDLEY. I thank the gentleman.

Mr. Speaker, at stake in this definition is an enormous sum of money. The Secretary can reduce program costs by \$1 billion a year—\$4 billion for the life of the bill—by taking the lower option. I am greatly disturbed by what I have been told by USDA sources about a plan to pay deficiency payments to grain sorghum and barley producers based on the same components of "costs of production" as corn rather than based on the historical "feeding relationship to corn of 85 percent" which is currently in effect.

I have learned that in 1978 USDA contemplates the loan value for sorghum will be \$1.90, and using the cost of production components for corn the target price for sorghum would be \$2.39. This would mean a 49 cent deficiency payment. While programs for barley and oats are discretionary, the loan and target prices as well as probable deficiency payments for these feed grain crops would be as follows:

	Loan	Target	Deficiency payment (cents)
Barley.....	\$1.63	\$2.33	70
Oats.....	1.03	1.83	80
Sorghum.....	1.90	2.39	49

\*Sorghum.

The estimated costs of these programs for fiscal year 1978 based on the above figures would be as follows:

	Millions
Sorghum.....	\$375
Barley.....	280
Oats.....	560
Total.....	1,215

On the other hand, the deficiency payments for sorghum and barley—since oats is newly added in this bill as a feed grain I do not know what percentage feeding relationship there would be between corn and oats—using the historic feeding relationship, assuming the same loan rate, would be as follows:

	Loan	Target	Deficiency payment (cents)
Barley.....	\$1.63	\$1.71	8
Sorghum.....	1.90	2.00	None

The difference in the cost to the taxpayers in using the historic feed relationship base is substantial and I would urge the Secretary of Agriculture to continue using it.

Mr. Speaker, the following language which appears in the statement of managers was an improvidently used example of what might be fair and reasonable:

The Conferees consider that if target prices for the other feed grains are established using the same components of the cost of production, such target prices would be fair and reasonable in relation to the rate at which payments are made available for corn.

However, even if improvidently inserted it is merely one example. It does not direct, exhort, or even urge that USDA use the cost of production components for corn in computing target prices for other feed grains.

Inasmuch as the cost of using such costly components in future years will be \$800 million to \$1 billion each year, I strongly urge the Secretary to continue to use existing "feeding relationship to corn of 85 percent."

The Secretary clearly has the broadest discretion to use the standard most favorable to consumers and taxpayers. During the 4-year life of the bill he can reduce expenditures by \$4 billion under this provision alone.

#### SUGAR PROVISIONS

I would also like to direct some of my comments to the sugar provisions of the conference report.

In particular I would like to manifest my clear intent, and I am sure it is the clear intent of the other members of the conference committee, that section 902 does not add one iota to any authority for the Secretary of Agriculture to make cash payments to sugar producers or processors.

On the contrary, and despite repeated efforts to expand this clear legislative intent, the conference report language does not authorize a single new legal authority for the Secretary to use to make cash payments to growers or processors.

The language of the conference substitute should be clear enough by itself if it were not for a bevy of would-be legislative history writers. Section 902 of the new statute will state as follows:

(3) Nothing in this subsection shall affect the authority of the Secretary to establish under any other provision of law a price support program for that portion of the 1977 crop of sugar cane and sugar beets marketed prior to the implementation of the program authorized by this subsection.

#### BACKGROUND OF ADMINISTRATION'S FIRST PAYMENT PROPOSAL

As the House will recall and as the conferees are all aware, the administration's first sugar payment plan was found to be illegal. I say "first," because as I will explain later a "second" payment plan is about to be unveiled, according to a USDA press release dated September 15.

I contended last spring that USDA's first payment plan was illegal and joined with my colleague from Illinois (Mr. MADIGAN) in a letter of protest and legal challenge to the General Accounting Office.

GAO ruled on July 27, 1977, that the Department of Agriculture's proposal was not lawful, when it concluded:

... the proposed program is not, in our view, authorized under 7 USC 1447, as the Department may not do indirectly what it cannot do directly.

The White House then referred the question to the Justice Department and on August 19, 1977—after the conferees had met, but before the conference report was filed—Deputy Attorney General Peter F. Flaherty ruled that—

For the reasons given above I have concluded that the program which you have proposed would be prohibited under the Agricultural Act of 1949, as amended.

#### ACTION—AND INACTION—ON CONFERENCE REPORT

When the statement of managers language was first being developed by the joint committee staffs it contained the following paragraph:

It is expected that the program already announced by the Department would not be put into effect until a favorable ruling has been received from the Attorney General as to its legality. In such event, the Conferees anticipate that it would apply to sugar not yet marketed as of May 4, 1977, when the Department made the original announcement of its proposed program but which was marketed prior to the time the loan and purchase program was put into effect.

That paragraph was appropriately dropped in the final version, because of the Justice Department's ruling.

Also, during the consideration of the statement of managers the following two specific language recommendations were submitted by USDA, but neither—and I repeat, neither—was included.

The first recommendation proposed to change Hawaii's marketing year.

The second recommendation proposed to manifest the conferees' intent to modify the original illegal program to make payments to Hawaiian sugar interests.

#### USDA recommended language No. 1

If the Attorney General concludes that the program proposed by the Department is not within its authority, the Conferees expect the Secretary, pursuant to existing authority in section 408 of the Agricultural Act of 1949, as amended, to appropriately adjust the marketing years for the 1977 and 1978 crops of sugar cane and sugar beets produced in those areas where marketing occurred prior to implementation of the new program. Such adjustments shall be made in such a manner as to afford producers in such areas an opportunity to participate in the new program.

THE WHITE HOUSE  
WASHINGTON  
December 5, 1977

The Vice President  
Hamilton Jordan  
Frank Moore (Les Francis)  
Jack Watson  
Charles Schultze

The attached is forwarded to  
you for your information.

Rick Hutcheson

RE: TARGET PRICES FOR 1977 CROPS  
OF GRAIN SORGHUM AND BARLEY

THE WHITE HOUSE  
WASHINGTON

12-5-77

To Sec Bob Bergland

I have just heard about  
your proposal that we  
set new target prices  
for 1977 (!) sorghum &  
barley at a cost of  
more than \$1/2 billion.

Is this true? If  
so - Why?

Jimmy

THE WHITE HOUSE  
WASHINGTON  
December 6, 1977

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

B-1 VOTE

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

THE WHITE HOUSE

WASHINGTON

*Frank J*

December 6, 1977 - - - - -  
5:35 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: BILL CABLE *Bill/pd*

The House is scheduled to vote on the B-1 bomber within the hour (the vote is scheduled for 6:00 p.m. but will probably occur at 6:30 p.m.). >

According to our latest vote count, we do not have the votes to win. We have been fighting heavy absenteeism on our side and the vote will be extremely close.

I believe a call from you to the following Members will convince them to vote with us and could make the deciding difference in the final outcome:

- ③ John Jenrette - *Told me we had already lost*
- ① Ed Jenkins - *ok - if we need it*
- Don Fuqua - *gone to airport*
- ② Elliott Levitas. *ok - if we need it*

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THE WHITE HOUSE  
WASHINGTON  
December 6, 1977

Stu Eizenstat  
Charles Schultze  
Jim Fallows  
The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Hamilton Jordan  
Jody Powell  
Tim Kraft

RE: PROPOSED SPEECH ON ECONOMIC  
POLICY BEFORE THE BUSINESS COUNCIL

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
	/	JORDAN
		LIPSHUTZ
		MOORE
	/	POWELL
		WATSON
		LANCE
/		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
/	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

/	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE  
WASHINGTON

November 30, 1977

*Stu - You Charlie  
& Jim boil it  
down to no more  
than 10 minutes.  
Submit draft or  
outline to me*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Proposed Speech on Economic Policy  
before the Business Council

*J*  
*p.s. Charlie's  
Stu is best*  
*J*

Attached are speech outlines I asked Charlie Schultze, Commerce and Treasury to prepare. These recognize that a mid-December speech could deal only in "broad philosophical generalities" without any announcement of concrete policies.

It may well be that business "likes to hear" these generalities but I am not at all sure that they will be impressed with a speech which deals in generalities when they keep saying they would like a specific statement of our economic policies and how they interact.

I still think it would be more advisable for you to have the leadership of the Business Council in for a frank exchange of ideas similar to the session you held several weeks ago.

If you would like me to take some soundings in the business community on these two options, I will be glad to do so.

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THE SECRETARY OF THE TREASURY  
WASHINGTON, D. C. 20220

November 28, 1977

Stu:

At my request these suggested talking points for the President's appearance at the Business Council were prepared by my staff. Basically, pages 2 and 3 of this contain the sort of points that I think would be well received.

All of this is against the background of the President's reserving major economic statements until after the first of the year, using this visit to the Business Council for a much briefer statement to reassure business and to dwell on the kinds of broad philosophical generalities which business likes to hear and on which the President's philosophy coincides.

  
Mike

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TALKING POINTS FOR SPEECH TO THE BUSINESS COUNCIL

- . Recognize some confusion and misunderstanding exist about the scope, substance and consistency of Administration economic policies.
  - . Partly results from need, on taking office, to move rapidly on several pressing issues.
    - . Social security funds in danger of insolvency. Could not afford to have widespread concern over whether pension checks would keep coming. *ok*
    - . Need to provide immediate stimulus to economy. After all, inherited economy stalled on dead center. Real growth at end of 1976 at only 1 percent annual rate, unemployment around 8 percent. *ok*
    - . Need for getting started on energy program. Problem long-term, but some consequences, such as balance of payments deficit, large and immediate.
  - . Should be clear by now that there is consistent economic philosophy underlying Administration's economic strategies. Administration dedicated to programs that will:
    - . Assure rate of economic growth adequate to absorb unutilized human and physical resources without touching off resurgence in inflation.
    - . Address major economic structural problems, e.g., tax system, energy, unemployment among minority groups, inflation.
    - . Emphasize solutions to problems that rely on private sector initiatives. *ok*
- . What does this mean in practice?
  - . Will use influence of government to get economy moving on right track, but will not overstimulate. Demonstrated by action *ok*

on tax rebate earlier this year. ← no  
When information showed economy  
recovering well enough on its own, had  
no hesitancy in rescinding request for  
rebate. Subsequently vindicated by  
7 percent real growth over first half ok  
of the year, and smooth transition to  
more sustainable 5 percent growth rate  
thereafter. Also vindicated by reduction  
in inflation, from 9 percent annual rate ok  
of rise in consumer prices in the first  
half of year to a 4 percent rate thus far  
in the second half.

- . Stimulus to economy, when needed, will be ok  
mainly through tax reductions rather than  
increasing government spending.
- . Intend to reduce tax bite on indi-  
viduals. Inflation keeps pushing  
incomes up the tax scale; need reduc- ?  
tions in tax rates to keep tax-take  
to no more than 12 percent of personal  
incomes.
- . Intend to keep government drain on  
nation's resources from rising. goal  
Federal expenditures will be limited  
to around 21 percent level of total  
output.
- . Intend to use tax incentives to stimu-  
late business investment. Both short-and  
long-term needs for devoting more of  
output to investment in the future,  
rather than to current consumption.  
Business investment in tools of production  
has been representing about 10 percent of  
GNP; need more than 12 percent to support  
full-employment economy.
- . Recognize that higher profits needed in order  
to get higher rate of capital investment.  
After-tax rate of return on capital a criti-  
cal factor in business investment decisions.

*Paperwork  
OSHA  
regulation*

After allowing for the effect of inflation on cost of materials and equipment used up in production, rate of return on investment has been averaging only 5 percent in the past three years (1974-76) compared with almost 13 percent rate of return in the decade from the mid-1950's to the mid-1960's. Tax reform and simplification can and will be combined with tax reductions so that both reform and reduction contribute to more capital formation.

- . Will rely on coordinated use of all tools of economic policy. No basis for reports of serious disagreement with monetary policy actions thus far. These actions have been helpful in moderating inflationary psychology, but at the same time have not significantly hampered economic growth, e.g., housing starts continue to grow at record levels. Confident that continued progress in reducing inflation, as a result of Administration efforts, will obviate need for further tightening of credit. ← sk
- . Coordination of economic policy within Administration working smoothly. Cabinet Economic Policy Group Steering Committee operating effectively in developing major policies, and monitoring policy implementation. sk
- . Continued efforts to alleviate burden of government regulation. Have already forced OSHA to focus on major safety problems rather than frills. Administration in forefront of fight to reduce regulation of the airline industry. Further deregulation steps in preparation. ✓
- . Will continue to pursue international economic policies contributing to worldwide economic stability without disadvantaging American producers. Will continue to urge other countries to adopt similar economic policies, both domestic and international. Will not resort to protectionism. Where U.S. industries threatened will (a) insure that unfair foreign competition is restricted, and (b) develop programs of assisting U.S. industries to become more competitive.
- . Will continue to support the dollar, through programs designed to support a strong U.S. economy. Artificial intervention, other than to prevent disorderly currency markets, cannot offer long-term solution. Strength of dollar depends on health of U.S. economy; our programs will keep the U.S. economy healthy.



UNITED STATES DEPARTMENT OF COMMERCE  
The Assistant Secretary for Policy  
Washington, D.C. 20230

November 28, 1977

MEMORANDUM FOR STUART EIZENSTAT

FROM: JERRY JASINOWSKI *JJ*

SUBJECT: PRESIDENT'S SPEECH TO BUSINESS COUNCIL

It is premature in mid-December for the President to disclose the major economic policy thrust for next year. The speech to the Business Council should, therefore, be a relatively short statement on some of the principles and philosophy that are important to him in the economic area. Given the audience, and the need to improve business confidence, I think we could do a lot of good with a speech emphasizing the importance the President places on private sector investment. Such a speech could have the following elements:

1. The speech would open with the general point that private sector investment is the key to good economic performance. We could point up the importance of private sector investment for:

- the creation of the new jobs we need to reduce unemployment; *ok*
- the increased productivity that will aid price stability; *ok*
- the production of competitive goods for international trade; *ok*
- and the achievement of the President's economic goals. *one sentence summary*

2. The President could then emphasize that stable, well understood, and consistent government policies are essential for a healthy environment for business investment. He could pledge himself to ensuring that this is achieved in the year ahead.



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2

3. The President could then stress several of the ways by which his policies will encourage private sector investment, including:

- that the President recognizes the importance of profits in investment decisions, and the need to maintain profits at a high level to achieve economic goals.
- that our forthcoming business tax policies will encourage private sector investment;
- that our forthcoming consumer tax policies will strengthen consumer demand, which will also encourage private sector investment; *ok*
- that regulatory reform will continue to be a top priority for this Administration;
- that this Administration will continue to support free and fair international trade. Here he indicates his opposition to protectionism, but his sensitivity to problem areas such as steel;
- that the Administration is committed to improving the technological base and productivity of American industry.

4. Then the President could appeal to the business leaders to make some of their private sector investment decisions in ways that aid in the solution of national problems, such as:

- structural unemployment;
- and a rejuvenation of the economic base of our urban areas.

I will be in Poland this week. If you would like us to start drafting a speech, please give Lucy Falcone a call.

*Business leaders should  
emphasize positive aspects  
of econ. in U.S.*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

November 29, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>ALS</sup>

SUBJECT: Talking points for Business Council meeting

Attached are some suggested talking points for your informal talk to the Business Council on December 14.

They may seem a bit repetitive -- there is a summary at the beginning and the end -- but it might not hurt to drive home some of the points.

If this is not the kind of material you want, please let me know and I will try to provide alternative formulations, either (a) a more general statement of philosophy, with less specifics; or (b) something on the immediate outlook for the economy; or (c) whatever you want.

enclosure

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Talking Points for the Business Council

I. I want to start with a few basic propositions that outline my attitude toward business and the economy, and then talk about a few of those points in more detail.

First, the American economy is basically healthy; no insuperable obstacles in the way of continued economic growth. Some important economic problems to be solved, but they are manageable. *good*

Second, I recognize both the obligations and the limitations of the Federal government in the economic sphere. The Federal government can and should provide fiscal and monetary measures and a regulatory climate which promotes economic growth without inflation. But we can't iron out every wiggle in the economy. *good*

Third, economic growth should be led by the private sector -- large increases in government spending are not the way to sustained prosperity. *good*

Fourth, the economy needs particularly large increases in private business investment -- to provide the additions to industrial capacity needed for an expanding labor force and the rising productivity required to deal with inflation. If investment is to grow, business firms must be able to count on reasonable stability in government policies and on earning a decent profit from their investments.

Fifth, I don't expect that the business community will agree with everything I do -- on energy, or social security financing, or minimum wages, or other matters. But I think there is a large area of agreement on the main elements of what is required from government to promote a healthy and advancing economy. And, agree or disagree, I want to hear your views and listen to your advice.

II. The economy is basically sound.

A. Where we have come in last several years

- o Almost three years into economic recovery from the 1974-75 recession.

*We addressed difficult subjects  
Energy, Soc Sec, etc*

- o Increases in production and income and decreases in unemployment during this recovery are about equal to the average performance during earlier postwar recoveries.
  - o Because recession was so deep, however, even an average recovery leaves us with higher than average unemployment, excess capacity, and lower than normal profits.
  - o Recovery in the United States much better than in most other industrial nations. There, unemployment is still rising, and in many countries is above the recession low. Investment growth in the U.S., not up to what we need, but better than in most foreign nations. We have not yet licked inflation, but have done a better job than any other countries except Germany and Switzerland.
- B. Two-and-a-half years of recovery have not left us with major distortions or imbalances which would themselves choke off further expansion.
- o Inventories in generally good balance with sales.
  - o Business firms have substantially improved their debt and their cash positions over the past two years.
  - o Major lenders still have ample funds available to finance economic expansion.
  - o In short, foundations exist for further economic expansion.

III. But to enjoy continued expansion, we must address several problems over the next two to three years.

- A. Expansion must be led by the private sector, not by government spending. Aim to reduce the share of the nation's output accounted for by Federal expenditures -- from over 22 percent now to about 21 percent by 1981.

B. But between now and 1981 the share of GNP taken by Federal taxes will be rising, sharply, unless we do something about it:

- o Rising money incomes from inflation and economic growth push taxpayers into higher brackets; the average tax rate goes up just as if the Congress had legislated a tax increase.
- o Laws already on the books and legislation now before the Congress will increase payroll taxes to fund the social security system and the unemployment compensation programs; increases are needed to assure the financial soundness of social insurance systems, but we have to take into account their impact on the private economy in planning economic policy.
- o Rising share of Federal taxes in GNP, if left unchecked, would exert a "drag" on the private economy and depress both consumer sales and business investment.

Some tax relief for individuals, to offset this drag, will be necessary to keep private economic growth proceeding.

C. Need a particularly rapid increase in business investment over the next three to four years.

- o Growth in the labor force in recent years has outpaced the growth in capacity; labor force kept on growing during recession and recovery, but capacity growth slowed down.
- o To reduce unemployment and reduce inflation, we need a strong growth of industrial capacity to prevent bottlenecks and scarcity in later years, and rapidly growing productivity to cut costs.

D. Business investment in plant and equipment has been growing; in real terms it rose by 7 percent during the last year. But that's not enough:

- o Investments in pollution control and worker safety absorb about 6 percent of investment; in many heavy industries the proportion much higher.

- o Business confidence improved during the recovery; but the trauma of the 1975 recession and the double-digit inflation that preceded it left wounds that are not completely healed.
- E. Some steps to improve climate for investment already taken:
  - o The uncertainties over energy policy will soon be resolved; for the first time nation will have long-run energy program, within which business firms can plan their future.
  - o Shortly, the Congress will also resolve the uncertainties over long-run financing of social security system.
- F. There are a number of additional steps we can take to encourage investment:
  - o By promoting stable and noninflationary rate of economic growth, which holds forth the prospect of long-run expansion markets and sales for business.
  - o Including in the tax proposals which will shortly be sent to the Congress, measures to reduce taxes on business profits and to provide greater investment incentives.
  - o Continuing to work at the task of simplifying and reducing the burden of regulation on business; no way to clean up the environment or prevent dangerous chemicals from poisoning workers and consumers without governmental regulations; but we can avoid unneeded regulation, and make those we have more predictable, more understandable, and simpler.
- G. Government also has to make its economic decisions in the context of a consistent long-run plan.
  - o Decisions this year on tax policy and government programs will affect Federal budget for many years ahead.
  - o Today's budget deficits not inflationary, given high unemployment and excess capacity.
  - o But as the economy returns to high employment and fuller capacity use, perpetuation of today's large budget deficits could set off

new round of inflation.

- o And so we are planning our current economic policies not just in terms of how they affect the economy and the budget in 1978 or 1979, but where they will take us in 1981 and 1982.
- o I am determined to make sure that the policies we need to promote economic expansion today do not turn into inflationary excesses in the future.

H. No matter how successful are overall economic policies, some groups will still suffer from shamefully high unemployment rates.

- o Young people, and minorities in particular.
- o The unemployment rate among black youth now approaches 40 percent, and unemployment among adult black males has been rising during the recovery.
- o We have established a number of programs to provide training and job experience for young people and other groups with high unemployment.
- o But ultimately they are going to have to find jobs in the private sector; five out of every six jobs are in the private sector; can't solve the problem by government hiring.
- o Government and business must cooperate in dealing with this problem.
- o Now working on ways to develop that cooperation; need your help and advice on how best to do it.

IV. In summary the main outlines of our economic approach can be sketched in several parts.

1. After years of neglect we have addressed, and the Congress will shortly put the finishing touches to a long-run energy policy and a long-run financing scheme for social security; uncertainty over these critical parts of the economy will be largely removed.
2. We are formulating tax and budgetary policies which will:

- o stabilize and then reduce the share of Federal expenditures in GNP,
- o provide tax reform and reductions to offset the drag on the private economy from rising effective tax rates,
- o enhance the profitability of business investment by promoting stable long-term growth and providing business tax reductions,
- o avoid the inflationary excesses which come from continuing large budget deficits as the economy approaches high levels of employment and capacity utilization,
- o work with business and other private groups to reduce the very high unemployment rates of youths and minorities.



To Dick Cooper  
J Carter

United States-Japan Economic Relations:

A Japanese Analysis

by

Jiro Tokuyama

Managing Director

Nomura Research Institute

November 1977

THE WHITE HOUSE  
WASHINGTON  
December 6, 1977

Jack Watson

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

APPRECIATION FOR TONY SOLOMON

THE WHITE HOUSE  
WASHINGTON

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✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
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		JORDAN
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		MOORE
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✓		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
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	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
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	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

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	PETTIGREW
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	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN 12/5/77

Mr. President:

Tony Solomon worked very hard on the steel report & all things considered, did a good job putting it together.

I suggest that you send him a note of commendation or just give him a call on the telephone. It would mean a great deal to him —

Jack

Done  
J

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Jim McIntyre

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

RE: 1979 BUDGET SUBMISSION - HUD

THE WHITE HOUSE  
WASHINGTON

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	WARREN



THE PRESIDENT  
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

To McIntyre  
JC

December 1, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1979 Budget Submission

It is my understanding that in the presentation made to you on the proposed budget of the Department of Housing and Urban Development you were not informed that the Department had submitted a complete zero-based budget within the OMB planning limits of \$10.339 billion in outlays and \$39.328 billion in budget authority. I believe that you were only informed of the highest figure within the range of options presented in the Department's budget.

Attached is a summary of the budget proposals submitted to the OMB on September 14, and resubmitted on November 29 in accordance with your instructions, that fall within the planning limits originally given to HUD. In addition, you are presented with an alternative which would raise the number of housing units to the budget levels requested over the last several years.

Also attached is the list of HUD goals and the programs that are designed to achieve these goals.

Rat

Patricia Roberts Harris

Attachments

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# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## BUDGET REQUEST--FY 1979

On September 14, HUD submitted a zero-based budget which included within the \$39.328 billion OMB guidance ceiling the major programs listed below. The budget resubmitted by HUD on November 29 is identical to the first \$39.328 billion of the original budget and therefore includes these same programs.

<u>Program</u>	<u>Budget Authority</u> <u>(millions of dollars)</u>
Assisted Housing [310,000 units total]:	
Section 8 [254,000 units: 127,000	
new or substantial rehabilitation;	
127,000 existing]	21,554.5
Public Housing [56,000 units]	7,599.0
Operating Subsidies for Public Housing	765.0
Modernization (Capital Improvements)	
for Public Housing	892.5
Housing for the Elderly or Handicapped	793.6
Housing for the Non-Elderly Handicapped	692.0
Operating Subsidies for Financially	
Unstable Assisted Housing Projects	108.0
Mortgage Insurance Programs	327.0
Financing Assistance (Tandem) for Section 8	1,500.0
Targeted Financing Assistance (Tandem)	[500.0]
for Middle Income Persons	available from current
in Center Cities	authorization
Community Development Block Grants	3,650.0
Urban Development Action Grants	400.0
Comprehensive Planning Grants	100.0
Housing Rehabilitation Loans	95.0
Urban Homesteading	20.0
Urban Extension Service	25.0
New Towns-In-Town	126.0
Flood Insurance	120.0
Housing Counseling Assistance	15.0
Neighborhood Development/Voluntary	
Associations Activities	6.0
Energy Conservation Standards	
for New Buildings	10.0
Research	58.0

In addition to this proposed budget, it may be important to request an assisted housing level of at least 400,000 units, the level met or surpassed in the latter years of the previous



Republican Administration and in the first year of the present Administration. This would require additional budget authority of approximately \$9 billion. The table below indicates the funding and unit levels sought in the budgets presented to the Congress in the past ten years, and the OMB proposed levels for FY 1979:

<u>Budget Year</u>	<u>Budget Authority</u> <u>(billions of dollars)</u>	<u>Assisted Housing</u> <u>Rental Units</u>	
		<u>Total</u>	<u>New/Substantially</u> <u>Rehabilitated</u>
1968	4.62	109,500	97,500
1969	15.00	157,200	137,200
1970	21.81	456,200	439,200
1971	23.91	315,800	309,300
1972	21.69	364,000	359,500
1973	23.50	322,200	287,200
1974	1.61	29,800	21,700
1975	53.00	406,700	268,300
1976	30.30	438,500	338,500
1977	21.71	406,000	131,000
1978 (Ford)	30.43	400,000	228,000
1978 (Carter)	39.15	400,000	228,000
OMB proposed 1979	26.80	262,000*/	154,632

\*/ Based upon actual unit costs experienced in FY 1977, a 6 percent inflation rate, and the assumption that the legislative mandate to conform the assisted housing programs to the identified needs of localities will be maintained.

THE FOUR PRIMARY GOALS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ARE:

- I. TO REVITALIZE URBAN AREAS
- II. TO PROVIDE ADEQUATE SHELTER FOR ALL CITIZENS
- III. TO PROVIDE FREEDOM OF CHOICE IN HOUSING FOR ALL PERSONS
- IV. TO INCREASE THE CAPACITY OF LOCAL GOVERNMENTS AND PUBLIC GROUPS TO REVITALIZE AND/OR STABILIZE COMMUNITIES AND NEIGHBORHOODS

Every program in HUD's budget is directed towards achieving one or more of these stated goals. HUD has a number of programs designed to achieve the stated goals. Experience has shown that (1) programs must reflect the complexities involved in the provision of housing, and (2) a variety of approaches must be available to reach these goals because of both the variety of local needs and the mixture of target groups whose needs must be addressed.

The outline below sets forth as straightforwardly as possible the intended purpose of each of the major programs in HUD's budget.

I. Programs Which Help to Revitalize Urban Areas

Assisted Housing Program  
(Section 8, Public Housing):

Use new and substantially rehabilitated housing to revitalize and stabilize neighborhoods and encourage community reinvestment [\$29 billion].

Community Development  
Block Grants:

Provide financial assistance to communities and neighborhoods for revitalization projects which particularly benefit low and moderate income families [\$3.65 billion].

Urban Development Action  
Grants:

Aid the nation's most distressed communities through specific economic development and reclamation projects with emphasis on accompanying investment from state, local and private sources [\$400 million].

Public Housing  
Modernization:

Provide funds for capital improvements in existing public housing, some of which is almost 40 years old, and increase pride of residents and neighbors in the projects [\$892 million].

Troubled Projects  
Operating Subsidies:

Avoid the loss of decent housing currently available to low and moderate income persons while at the same time reducing the number of HUD-assisted projects owned by the Federal Government and stabilizing the areas in which the projects are located [\$108 million].

Housing Rehabilitation  
Loans (Section 312):

Restore deteriorating housing to livable condition and improve neighborhood environment [\$95 million].

Urban Homesteading:

Preserve neighborhoods by making existing housing available at minimal cost to families who are committed to rehabilitation and occupancy [\$20 million].

Targeted Tandem:

Provide incentives for middle income families to live in center cities, with emphasis on multi-family housing [\$500 million; uses currently available authority].

Mortgage Insurance  
Programs:

Facilitate homeownership and encourage housing construction by guaranteeing loans [\$327 million].

Neighborhood Development/  
Voluntary Association  
Activities:

Encourage citizen group participation in setting local policies and priorities and developing neighborhood revitalization strategies [\$6 million].

New Towns-In-Town:

Support large scale neighborhood revitalization within existing urban centers by providing comprehensive and coordinated federal assistance [\$126 million].

Flood/Riot/Crime  
Insurance:

Guarantee insurability of persons and businesses in flood prone and high crime areas and allow for rebuilding when floods, riots or crimes destroy property [\$120 million].

Research:

Gather and analyze data upon which to base management and policy decisions [\$58 million].

II. Programs Which Provide Adequate Shelter for Americans

Assisted Housing Programs  
(Section 8, Public Housing):

Provide increasing numbers of low and moderate income persons with decent shelter through construction of affordable housing, rehabilitation of existing housing, and rent subsidies.

Housing Rehabilitation  
Loans (Section 312):

Restore deteriorating housing to livable condition and improve neighborhood environment.

Comprehensive Counseling  
Services:

Provide advice and guidance to homeowners and renters in order to help them meet the obligations of tenancy and homeownership [\$15 million].

Public Housing Operating  
Subsidies:

Protect the public investment in public housing by meeting operating expenses not provided for in other public housing payments [\$765 million].

Public Housing  
Modernization:

Provide funds for capital improvements in existing public housing, some of which is almost 40 years old, and increase pride of residents and neighbors in the projects.

Troubled Projects  
Operating Subsidies:

Avoid the loss of decent housing currently available to low and moderate income persons while at the same time reducing the number of HUD-assisted projects owned by the Federal Government and stabilizing the areas in which the projects are located.

Housing Financing Assistance  
(GNMA Tandem):

Encourage investment by the financial community in housing by providing a shallow subsidy and a guaranteed secondary market for mortgages [\$1.5 billion].

Housing for the Elderly and Handicapped  
(Section 202):

Direct federal financing ensures adequate shelter for elderly persons [\$794 million].

Housing for the Handicapped (Section 247):

Provide direct financing for special living facilities designed for non-elderly handicapped persons in a manner which does not reduce the federal commitment to elderly persons or compete with elderly housing for available funds [\$692 million].

III. Programs Which Help Provide for Freedom of Choice in Housing

Enforcement of Fair Housing Laws:

Provide cease and desist authority to allow for broader enforcement of Fair Housing laws and ensure equal opportunity in housing for racial minorities.

Comprehensive Counseling Services:

Provide counseling services which inform citizens of alternative housing opportunities.

Assisted Housing Programs:

Provide rental assistance for existing housing in non-racially impacted areas to allow for broader housing choices for minorities.

Urban Extension Service:

Deliver information on the availability of housing of all types and federal programs that help to encourage freedom of choice in housing [\$25 million].

Comprehensive Planning Assistance (Section 701):

Encourage areawide housing planning which allows for deconcentration of minorities [\$100 million].

IV. Programs Which Increase the Capacity of Local Governments  
and Public Groups to Revitalize/Stabilize Communities  
or Neighborhoods

Comprehensive Planning  
Assistance (Section 701):

Provide local officials with assistance needed to achieve effective community and areawide planning.

Neighborhood/Development  
Voluntary Association  
Activities:

Encourage citizen group participation in setting local policies and priorities and developing neighborhood revitalization strategies.

Urban Extension Service:

Provide technical assistance to local governments and community groups to acquaint them with the tools available for urban revitalization.

Energy Conservation  
Activities:

Demonstrate how to meet energy conservation standards and promote efficient use of energy [\$10 million].

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Frank Moore

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Hamilton Jordan

RE: NATURAL GAS CONFERENCE

THE WHITE HOUSE  
WASHINGTON

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	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
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	IMMEDIATE TURNAROUND

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		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

December 5, 1977

*Frank -  
We may have  
to keep the low  
prices we  
have now -*

*J.C*

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE  
JIM FREE  
BOB THOMSON

*Bob*

SUBJECT: NATURAL GAS CONFERENCE

The natural gas conference got off to a sputtering start today, adjourning after two hours for private consultations. The 9 Senate conferees favoring our position met for some time this afternoon exploring means for a compromise.

Conversations with Senators Ford and Johnston revealed some optimistic signs. Ford indicated his bottom line was an expanded definition of new gas as in the Senate bill and a \$2.03 price. He did not mention eventual deregulation as a goal.

Senator Johnston has told Senator Jackson that his bottom line is no authority to allocate intrastate gas and protection from raids on the intrastate market if price controls are extended to intrastate gas. We are not certain what he has in mind with the latter point. However, he has not mentioned eventual deregulation as a goal either and does not seem especially concerned about price.

In a private conversation with Bob Thomson, Senator Domenici revealed the Republicans' bottom line--deregulation after 6 years with no allocation authority for intrastate gas in the interim. They would be flexible on the interim definition of new gas and could care less about the price level at the beginning of a phase-in period to deregulation.

Both Chairman Jackson and the House conferees are focussing on Senator Ford, hoping to find a formula that will appeal to him. It strikes us that a Johnston strategy may be more fruitful than a Ford strategy. Johnston's demands for some limits on intrastate regulation may be easier for us to accept than Ford's demands for a higher price.

Estimates now are that no deals will be struck until Wednesday at the earliest.

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Secretary Califano

The attached was returned in  
the President's outbox. It is  
forwarded to you for your  
information.

Rick Hutcheson

cc; The Vice President  
Stu Eizenstat  
Jack Watson  
Charles Schultze

RE: ENCOURAGEMENT OF STATE AND LOCAL TESTING

THE WHITE HOUSE  
WASHINGTON

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	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
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	IMMEDIATE TURNAROUND

cc *Calipano*

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		POWELL
	/	WATSON
	/	LANCE <i>DM</i>
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

December 5, 1977

cc To Joe  
Thanks  
C

MEMORANDUM FOR THE PRESIDENT

FROM JOE CALIFANO *Califano*

SUBJECT: Encouragement of State and Local Testing

In response to your note today, let me indicate what we are doing to encourage state and local testing programs and provide financial assistance for them.

- We will develop a bank of achievement tests and test questions. Using that bank, we will inform states and school districts about available tests, provide advice in choosing among them, and ensure that all districts obtain the tests they need.
- In areas where the existing tests are inadequate, we will move more rapidly to develop additional or improved tests to fill any gaps.
- We will provide funds for testing programs, both by distributing funds specifically appropriated for testing activities and identifying all other sources of Federal funds that can be used for this purpose.
- We will organize local or regional training workshops and conferences, to encourage the use of tests and explain how to employ them most effectively -- with specific emphasis on early and periodic testing.
- We will provide technical assistance to states and localities in solving particular problems they encounter.
- We will publicize successful testing programs and assist states and localities in emulating these successes.

In response to your deep interest in this area, I will announce within 60 days a major new Department initiative along these lines, and will promptly convene a conference of state education officials to inform them of all the ways that HEW can assist states and localities in conducting testing programs.

THE WHITE HOUSE  
WASHINGTON

December 5, 1977

The Vice President  
Stu Eizenstat  
Jack Watson  
Jim McIntyre

The attached is forwarded to  
you for your information.

Rick Hutcheson

ENCOURAGEMENT OF STATE AND LOCAL  
TESTING

THE WHITE HOUSE  
WASHINGTON  
December 6, 1977

Stu Eizenstat  
Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder  
RE: DOCKET 31564, KLM, Swissair,  
British Airways, Transportes  
Aereos Portuguese

THE WHITE HOUSE  
WASHINGTON

December 2, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ  
STU EIZENSTAT *STL/DBL*  
*Stu*

RE: CAB Decision Re  
KLM, Swissair, British Airways,  
Transportes Aereos Portugese  
(Docket 31564)

This is another in the series of CAB decisions vacating suspensions of Super-APEX fares following negotiation of appropriate ad hoc agreements with the countries involved. These fares represent 50 percent discounts for service between the United States and Greece, Portugal, Spain, Switzerland, and the Soviet Union. The ad hoc agreements permit the fares to be suspended in the future if they prove predatory.

By signing the attached letter, you will permit these discount fares to become effective immediately. We recommend that you approve the Board's action by signing the letter.

✓ Approve                             Disapprove

THE WHITE HOUSE

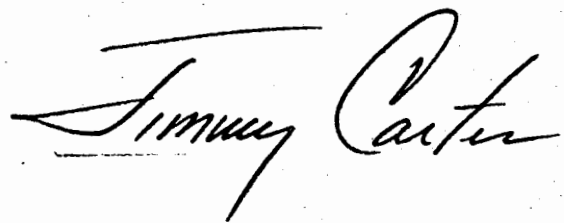
WASHINGTON

Dear Mr. Chairman:

I have reviewed your proposed order (Docket 31564) dated November 29, 1977, which vacates previous suspensions to allow super-APEX fares to and from various points in Europe to be quickly implemented.

I have decided to take no action and allow the Board's order to stand.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

Honorable Alfred E. Kahn  
Chairman  
Civil Aeronautics Board  
Washington, D. C. 20428



THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Jim McIntyre

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Midge Costanza

RE: NATIONAL CLIENTS COUNCIL,  
LEGAL SERVICE CORPORATION

THE WHITE HOUSE  
WASHINGTON

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/		LANCE <i>Jan</i>
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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

December 5, 1977

Jim

C

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Margaret Costanza MC

SUBJECT:

National Clients Council, Legal Service  
Corporation, November 23, 1977

On November 23, 1977 I met with the National Clients Council, Inc. (NCC) and several White House staff including representatives from the Office of Management and Budget, Intergovernmental Relations, Domestic Policy Staff, the Vice President's staff, and Office of Public Liaison. The National Clients Council was represented by the Executive Director, Bernard Veney, Board President, Ellsworth Morgan, and twenty board officers and members.

The National Clients Council is a private, non-profit corporation dedicated to meaningful client participation in planning and execution of legal services programs, particularly in connection with the Legal Service Corporation.

Four items were discussed on the agenda:

1. The Legal Service Corporation FY 79 Appropriation

The Council urged that the Legal Service's FY 79 budget request for \$304 million be granted. They stressed that the \$99 million increase from \$205 million FY 78 is the bare minimum necessary, and is, indeed, a compromise request, in order to implement a minimum-access plan of providing the equivalent of two lawyers for 10,000 poor people. Most of the increase over fiscal year 1978 would be used to support legal services for the poor in areas in the country where none exist. When the Legal Service Corporation began operations in 1975, its priority was to provide minimum access of two lawyers for 10,000 people. According to the Council, Vice President Mondale publicly supported this goal. The Council members believe in your commitment to make the delivery of legal services to the poor a reality. The right to legal services for poor people was termed a "human right."

## 2. Impact of Legal Services on the Low-Income Community

Personal testimonials were presented on how legal services helped the poor and illiterate to press claims and protect themselves against landlords, corporations, even government itself. Many stressed the need for expanded programs to educate the poor about their legal rights, particularly as a preventative measure against crime.

## 3. Client Participation in Decision Making at the National and Local Levels

The Council members asked that poor people who are recipients of legal services be appointed to the Board of the Legal Service Corporation so that they may participate in any decisions affecting them. According to Jane Frank of Jack Watson's office, clients' names have been submitted for nomination to the Board but no action has been taken yet.

## 4. Proposals for Future Administration Action

There was a request for programs to provide legal education and special legal services to the handicapped and senior citizens.

Finally, full funding of the Legal Service Corporation is viewed as necessary because the Corporation is a watchdog over other government agencies to assure that the poor are receiving proper delivery of services from those agencies.

THE WHITE HOUSE  
WASHINGTON  
December 5, 1977

The Vice President  
Stu Eizenstat  
Jack Watson  
Jim McIntyre  
Jim Gammill

The attached is forwarded to  
you for your information.

Rick Hutcheson

RE: NATIONAL CLIENTS COUNCIL, LEGAL  
SERVICE CORPORATION, 11/23/77

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Hamilton Jordan

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: The Vice President  
Frank Moore  
Tim Kraft

RE: PANAMA CANAL STRATEGY

THE WHITE HOUSE  
WASHINGTON

*Admin  
conf'd*

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		WARREN

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

MR. PRESIDENT:

Attached is the Panama Canal strategy memorandum which you requested.

Frank Moore



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THE WHITE HOUSE  
WASHINGTON

December 1, 1977

*Ham - Let's  
have a top  
staff meeting &  
the VP & me  
on this  
J*

MEMORANDUM FOR HAMILTON JORDAN  
FRANK MOORE

FROM: DOUGLAS J. BENNET, JR.  
ROBERT BECKEL  
ROBERT THOMSON

SUBJECT: PANAMA CANAL STRATEGY

Last Tuesday at the leadership breakfast, Senator Byrd confirmed his intention to make Panama the first order of business in the second session. It is, therefore, imperative that we adopt a public affairs and legislative plan for the final phase of the Canal Treaty fight. Outlined below is a plan that you should review. Feel free to make comments and suggestions. A revised draft should then be offered to Senator Byrd for comment to ensure that we are all on the same track.

I. CURRENT SITUATION

A. Vote Count

Presently, we can see approximately 55-57 votes for the Treaties. There are perhaps 35 against or leaning against, many of whom will be extremely difficult, if not impossible, to move. (See Attachment for updated count.)

B. The Climate

There are several factors working in our favor at the moment. The Majority Leader's trip to Panama had a marked positive influence. Trips by others who may be less favorably inclined towards the Treaties will also be useful in broadening their perspectives and impressing upon them the importance of the Treaties to Latin America.

We also have an active working Senate staff group headed by Dick McCall in Senator Humphrey's office. A number of Senators (e.g., Morgan, Hollings, Weicker, Matsunaga, Hatfield, Hayakawa) are making speeches in favor of the Treaties.

Several factors are also working against us. Senate mail in favor of the Treaties has picked up, but the count is still strongly against. News stories have appeared with vote counts more pessimistic than our own. Senators supporting the Treaties are still not organized into a cohesive working group. Sentiment is growing that the Treaties will have to be substantially altered by the Senate to pass. Since the Byrd trip, there have been no additional events or news stories to indicate progress toward support for ratification. Finally, it appears that Senator Humphrey will be unable to play as strong a role during the debates as he would like.

At this time, there is little movement in the Senate for or against the Treaties, since energy is the overriding concern. Most Senators feel that this issue is far down the road (i.e., next year) and are not actively involved with Panama. Pressure is increasing from both sides on Senator Baker, since all realize his decision on the Treaties will be crucial.

The present equilibrium will be disrupted when the Treaties are about to be reported. Minority members of the SFRC -- particularly Baker and Griffin -- will be forced to choose sides and justify their positions with fresh arguments, hopefully in favor. The first fights over amendments will occur in the Committee. The attitude of non-SFRC Senators will be heavily influenced by (a) the momentum Senators Byrd, Baker and others may decide to build before the Committee reports, (b) the force of the SFRC's action and (c) accompanying support from the Administration and public spokesmen.

## II. TIMING

At the leadership breakfast, Senator Byrd indicated he wants Chairman Sparkman to report the Treaties out this year. White House Liaison met with Byrd shortly thereafter and raised three problems with that idea:

First, an early SFRC vote would force an early decision by Senator Baker who is certainly inclined to wait until next year. A strong push could easily result in a no vote. Second, the SFRC plans a trip to Panama in January before marking up the Treaties. Third, the Armed Services Committee has been led to believe the SFRC will not report the Treaties until after its own January hearings.

The Majority Leader indicated he would check all three of these objections before pursuing Sparkman further on an early vote. We believe he will find it impossible to have the Committee mark up the Treaties this year.

We can, however, expect that the Committee will act immediately next year. Markup should take no more than five days. Thus, the Treaties could be on the floor during the first week of February. Of course the only real lobbying time we will have prior to this is the remainder of this year prior to completion of energy and the days after January 19 when the Senate reconvenes.

It is impossible to predict the length of the debate. If final passage seems likely, both supporters and opponents may find protracted debate on such a no-win issue unattractive. If the issue is in doubt, opponents who see a chance to embarrass the Carter Administration may try to prolong the debate. Three weeks seems a likely minimum, but this could be extended substantially in the likely event that we are faced with a blizzard of amendments. Much will depend on how the leadership chooses to deal with these amendments.

### III. LEGISLATIVE STRATEGY

#### A. Committee Markup -- SFRC

State Department Congressional Liaison will continue to take the lead in dealing with the SFRC during markup. The White House will be involved where necessary.

A large majority of the Committee and its staff support the Treaties. Senators Baker, Griffin and Stone are question marks. Our objective should be unanimous support by the SFRC, because support from Baker, Griffin and Stone would produce decisive momentum on the floor. This will almost certainly require some Committee amendments, but Committee amendments are probably inevitable in any case. Obviously we will want as few amendments as possible in Committee, consistent with the unanimity objective, thereby reserving acceptable amendment opportunities for picking up votes on the floor.

The first task will be to get a realistic assessment from the Committee on the number and substance of amendments that it is likely to report with the Treaties. The Administration must continue to oppose all amendments, which means that negotiating will have to be done by favorable Senators. However, it is

possible for us to offer "technical drafting assistance" in selected cases to make amendments less objectionable, as long as it is clearly understood we oppose the amendments even in revised form and will lobby against them. It must be made clear that we absolutely cannot accept any amendments even as reservations or understandings which would require Panama to resubmit the Treaties to a vote by plebiscite. Lobbying against amendments that seriously alter Treaty language should begin as soon as possible.

B. Armed Services Committee Hearings

As mentioned above, the Armed Services Committee plans to hold hearings in January. Chairman Stennis has not decided on the length of the hearings, but his staff is clearly thinking ambitiously. Pressure must be brought on Stennis to limit his hearings and complete them before the SFRC markup. Senator Byrd, with Senator Sparkman, should work on Stennis over the next couple of weeks to secure an agreement on this. Action has begun on the score during the McClellan funeral.

C. Preparation for Floor Action (December 1 through Adjournment)

The next three weeks should be devoted to personal contact with Senators by White House and State Congressional Liaison to:

- (1) get an accurate appraisal of each Senator's position;
- (2) determine areas of concern and appropriate pressure points;
- (3) solicit support or pledges of neutrality.

This program will begin today with daily reports through Frank to the President. There will be recommendations for follow-up contact by the President or high Administration officials, if necessary.

Additionally, with Senator Byrd's approval, the Senate support group headed by Senator Hollings should be convened next week. This group should work with us and Senator Byrd on identifying potential Senate supporters and in obtaining neutrality agreements from those Senators who are not yet ready to commit and who are susceptible to political pressure over the recess, e.g., DeConcini and Ford. The Senate support group should

also begin formulating a floor strategy with particular emphasis on dealing with obstructionist tactics which the opposition will employ during the debate. This group should meet at least twice with White House and State Congressional Liaison and once with the President before the Christmas holidays.

We will continue working with the staff group, particularly in identifying potential amendments to the Treaties and devising arguments, both political and substantive, against the amendments. Staff will be helpful in drafting rebuttals to Treaty opponents for insertion in the Congressional Record.

#### D. Floor Strategy

The Senate will take up the Treaties as a Committee of the Whole. The legislative procedures are very complicated and have varied precedents, but in recent years, the sequence has been:

1. The Senate convenes in a Committee of the Whole and takes up the Treaties as reported from the Senate Foreign Relations Committee with Committee amendments expressed in recommended report language.
2. Amendments from the SFRC are the first amendments considered in the order they are presented by the Committee.
3. Additional amendments are then considered in the order that they are brought up in the Committee as a Whole. Historically, the Committee of the Whole read the Treaties article by article, and non-Committee amendments to articles were considered as each article was raised. This is a long and time-consuming process and has not been employed since the Second World War. However, on these Treaties we can expect the opposition to demand this procedure. There is no limit to the number of amendments to each article prior to the filing of a cloture petition. Cloture may eventually be necessary on this debate.

4. The Committee of the Whole votes on the Treaties as amended and reports them to the full Senate.
5. In a pro forma vote, the full Senate votes on the Treaties as reported from the Committee of the Whole.
6. Both Treaties will be voted on together.

Amendments to treaties are passed by a simple majority. Obviously, these Treaties will not pass without amendment. Many Senators will only be able to justify a vote for the Treaty if they have forced Panama and the Administration to accept restrictive amendments.

Therefore, the State Department should have on hand reasonably acceptable versions, where possible, of all major amendments to be offered. The leadership can offer these as alternatives to unacceptable amendments. It will be necessary for us to oppose these amendments we have drafted in order to preserve the credibility of a vote "against" the Administration. A vote "against" us on some amendments is the only politically viable approach for many Senators. The bottom line for all these amendments is whether they are acceptable to Panama politically and whether Panama can legally accept the amendments without a new plebiscite.

#### E. Organization

We must mobilize all available Senate and Administration resources for the Treaty fight. This will require active day-by-day guidance from the leadership, plus a very deliberate organization of tasks and resources. The actual organizational structure should be worked out with Senator Byrd, but here are some of the obvious components:

##### Tasks

Strategy & tactics

Committee management

Floor management

Floor support

##### Resources

Leadership, Committee/floor managers, key Senators, White House, State

Committee manager  
SFRC staff supporters

Floor manager & staff

Key Senators, Senate staff group, State

Information/drafting	State, DOD
Intelligence	Leadership, Senate staffs
Policy Amendments	White House/State
Lobbying	Key Senators, White House, State
Whip Counts (general plus specific amendments)	Leadership, White House, State, Senate staff

#### IV. PUBLIC AFFAIRS STRATEGY

##### A. President's Media Appearance

There has been a great deal of debate over the timing of the President's television address, as well as numerous suggestions from the Hill on format. Senator Byrd has encouraged the President to go on television in early January and then again during the floor debate. The Speaker suggests the talk not take place until after energy is completed. If the address is made in early January, it would have the advantage of being the first major policy statement of the New Year and could be a good foundation to launch into the Senate debate.

On the other hand, a great many others on the Hill argue that we must begin educating the American people on the terms of the Treaty. The sooner this is accomplished, the sooner the political heat will die down. Additionally, there is a growing belief that the President is not committed wholeheartedly to the Treaties and an earlier address could lay this issue to rest. Obviously, we must also deal with the networks since they are stingy with air time.

We think the following plan would be the best way to proceed. The President should conduct a town meeting in mid-December, inviting questions on Panama, energy and SALT. He should then have a "Fireside Chat" or oval office speech on the eve of the Senate debate.

The town meeting format in mid-December would not reach as large an audience as a "Fireside Chat", but it has several advantages:

1. Many say it is the President's most effective forum.
2. The December date could silence critics who say the President is not acting early enough.

3. It preserves the option of a more formal, nationally televised speech just prior to the Senate debate.
4. By taking questions on Panama and energy, the President cannot be accused of de-emphasizing the latter at a critical stage in the Congressional process. In fact, he would have an opportunity to comment publicly on progress of the conference committees.
5. The town meeting would receive maximum press attention, possibly national television coverage for the entire event. This possibility would be greatly enhanced if the town meeting were held in hostile territory and tough questions were guaranteed.
6. It would present a chance to help two key Senators by having the meeting in their State.
7. It would convince the Hill and the American people that the President is willing to face the public on this issue in the most direct way.
8. Because the mid-December date is virtually upon us, it would take opponents by surprise and give them little time to organize a counter-event.
9. It would be conducted in the Christmas season when peace and goodwill prevail.

We suggest Louisville, Kentucky, as the location. Senators Ford and Huddleston are both key to our efforts. Kentucky has a traditional relationship with the Canal Zone since the Federal judge is appointed from Kentucky. Most Kentuckians oppose the Treaties, so the President could not be accused of preaching to the choir. However, the city's major newspapers favor the Treaties. In addition, it is only a short flight from Washington, and the Carter organization could be counted on for help.



After the town meeting we should seek statements of support from both Democratic and Republican Senators whom we know to be favorable but have remained publicly uncommitted. This will require some arm twisting since support before Christmas exposes Senators to political heat over the recess.

B. Other Initiatives

In addition to the President's appeal, continuing efforts by private organizations to develop grassroots' support for the Treaties in targeted states is essential. More friendly Senators should be mobilized in this effort. There still is little visible sign -- i.e., mail -- of support for the Treaties on the Hill. It is essential that this happen. If we get nothing else out of the Citizens' Group or other support groups, we must get mail.

Additionally, we should recommend opinion leaders who might contact individual Senators over the recess. These could include both home-state and national figures.

Whatever we decide, we should keep in mind that constant pressure must be kept on Senators while they are away from Washington to avoid losing fence-sitters, and to keep up the impression that we are making progress.

## PANAMA TREATY - VOTE COUNT

+	L+	?	L-	-
Abourezk	Chiles	Bentsen	Burdick	Allen
Anderson	Durken	Byrd, R.	Cannon	Byrd, H.
Bayh	Haskell	DeConcini	Eastland	Stennis
Biden	Hathaway	McIntyre	Ford	
Bumpers	Jackson	Zorinsky	Johnston	Bartlett
Church	Proxmire		Long	Curtis
Clark	Sasser	Baker	Melcher	Dole
Cranston		Bellmon	Nunn	Garn
Culver	Danforth	Griffin	Randolph	Hansen
eagleton	Pearson	Heinz	Stone	Hatch
Glenn	Stafford	9	Talmadge	Helms
Gravel	10			Laxalt
Hart			Domenici	McClure
Hollings			Goldwater	Scott
Huddleston			Lugar	Thurmond
Humphrey			Roth	Tower
Inouye			Schmitt	Wallop
Kennedy			Schweiker	16
Leahy			Stevens	
Magnuson			Young	
Matsunaga			19	
McGovern				
Metcalf				
Metzenbaum				
Morgan				
Moynihan				
Muskie				
Nelson				
Pell				
Ribicoff				
Riegle				
Sarbanes				
Sparkman				
Stevenson				
Williams				

LEGEND:

- + = announced support for Treaties
- L+ = will support with minor amendments\* which are probably acceptable to Panama
- ? = undecided
- L- = would support only with amendments that may be unacceptable to Panama
- = would support only with amendments unacceptable to Panama or would not support under any condition. No further contact planned.

Brooke  
Case  
Chafee  
Hatfield  
Hayakawa  
Javits  
Mathias  
Packwood  
Percy  
Weicker

\* "Amendments" includes any reservation, minute, understanding, etc. The terms are synonymous for parliamentary purposes.

THE WHITE HOUSE  
WASHINGTON

December 6, 1977

Bob Lipshutz

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Stu Eizenstat  
Jim McIntyre

RE: GUIDELINES FOR FOREIGN GIFTS

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	✓	EIZENSTAT
		JORDAN
✓		LIPSHUTZ
		MOORE
		POWELL
		WATSON
	✓	LANCE <i>jm</i>
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE  
WASHINGTON

12/4/77

Mr. President:

The attached is submitted for your information, as you asked on 8/17 that new guidelines for foreign gifts be issued.

Under the Foreign Gifts Act, by January 1 all departments must issue regulations which meet the standards set by the attached GSA-State Department guidelines, summarized by Jay Solomon.

No presidential decision is required.

Rick



General  
Services  
Administration

Office  
of the  
Administrator Washington, DC 20405

December 1, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM FOR:

The President

THRU:

Rick Hutcheson

FROM:

Jay Solomon

*Lipschutz -  
are these ok?  
J*

Enclosed are the final drafts of the General Services Administration regulations and Department of State guidelines implementing Section 515 of Public Law 95-105 which amended the Foreign Gifts and Decorations Act of 1966.

The State Department guidelines discourage the acceptance of gifts by employees and provide strict reporting requirements for those gifts which are accepted. They also provide guidance in drawing up internal regulations to all executive agencies.

The General Services Administration regulations govern the disposal of gifts. First consideration in the disposal of gifts will be given to official use by Federal agencies. If no Federal agency claims the property then State agencies may be given the opportunity to request donation. Gifts not claimed by a State agency will be sold either by competitive bid or negotiation. No preference will be provided for the employee recipient to purchase the gift item or to direct its placement.

Since it will not be possible to receive comments from all affected agencies prior to January 1, 1978, I intend to issue these draft regulations as temporary regulations, thereby allowing agencies time to comment.

Enclosures

Electrostatic Copy Made  
for Preservation Purposes

FINAL DRAFT STATE DEPARTMENT GUIDANCE TO EXECUTIVE  
AGENCIES ON REGULATIONS IN IMPLEMENTATION OF  
SECTION 515 OF P.L. 95-105, AMENDING SECTION  
7342 OF TITLE 5, U.S. CODE, THE FOREIGN GIFTS  
AND DECORATIONS ACT

SECTION 1. PURPOSE. The present guidelines are issued by the Department of State in furtherance of its obligation under Section 515(a)(1) of Public Law 95-105 (August 17, 1977) to assist Executive agencies to prescribe regulations as may be necessary to implement provisions of P.L. 95-105, relating to foreign gifts and decorations.

SECTION 2. APPLICATION. Under the Foreign Gifts and Decorations Act, as amended (the "Act"), each agency, as defined in 5 U.S.C. Section 7342(a)(6), is responsible, for monitoring compliance by its employees with the Act. Under predecessor legislation, the Department of State was charged with this responsibility, but henceforth will be required only to file annual reports based upon agency reporting (subsection (f)), consulting with GSA in regard to the redefinition of "minimal value", and determining under what circumstances gifts or decorations deposited for disposal may be sold without causing adverse effects to the foreign relations of the United States.

SECTION 3. DEFINITIONS. (Track language of P.L. 95-105)

SECTION 4. GIFTS AND DECORATIONS ACCEPTED ON OR AFTER  
JANUARY 1, 1978.

(a) Each agency shall appoint an internal office responsible for ensuring that its employees become acquainted with the requirements of P.L. 95-105 respecting the deposit with the agency of gifts of more than minimal value and decorations, the acceptance of travel expenses permitted by the agency in accordance with its regulations, and the reporting on the acceptance of both gifts and travel expenses. Each agency shall periodically remind employees, as necessary, of the requirements of the Act and implementing regulations and any changes occurring in either of them. In this connection, each agency shall establish a procedure by which employees may acquire advice and assistance on any question relating to the application or implementation of the Act or its regulations.

(b) The office responsible for carrying out functions specified in subsection (a) of this Section shall assume the duty of implementing the requirements of subsection (c)(2) of the Act relating to the deposit of gifts and decorations for disposal and their retention by the agency for official use.

The agency shall establish procedures as necessary to facilitate employee compliance. These procedures may include, among other things, the development of appropriate standardized forms for the recording of gifts and decorations received and an explanation of the circumstances surrounding their receipt.

Any actions taken by agencies in the fulfillment of the aims expressed in this subsection shall also be directed at developing the data necessary for the completion of the annual statements required by subsection (f)(1) of the Act. All publications addressed to employees in furtherance of their compliance with the Act shall contain reference to the information on individual gifts required by this subsection of the Act to be submitted annually.

In advising employees of their responsibilities under the Act as amended, the responsible agency officials shall impress upon the employees their obligation to refuse initial acceptance of gifts whenever possible. Hence, the agency shall take all practical measures to minimize the number of gifts deposited by employees and, thus, rendered subject to the disposal provisions under the Act.

(c) If an agency elects to permit retention of gifts for official use in accordance with the provisions of subsection (c)(2)(B) of the Act, it shall publish guidelines as to the permissible types of official use, the circumstances under which such retention of gifts will be allowed and the office responsible for making the determination. Agency regulations shall be geared toward avoiding to the maximum extent possible arbitrary action in the approval of retention of gifts for official use and ensuring that all employees are assured the maximum opportunity for receiving the indirect benefit of gifts retained for official use. For example, if a painting is approved for retention, every effort should be made to display it in an area accessible to the largest number of employees and/or members of the public.

(d) Disposal of Gifts and Decorations.

i. Each agency shall establish a mechanism as appropriate for complying with the requirements of subsection (e) of the Act and General Services Administration regulations (41 CFR Part 101-49) respecting disposal of gifts and decorations. Whenever possible agencies shall effect disposal of gifts through a return to the original donor. Agencies shall examine the gift in question and the



circumstances surrounding its donation and assess whether any adverse effect upon U.S. foreign relations might result from the return of the gift or decoration to the donor. Whenever such a question arises, the affected agencies shall consult with appropriate officials in the Department of State.

ii. Gifts and decorations not retained for official use or returned to the donor shall be transferred, donated, or otherwise disposed of in accordance with the provisions of the Federal Property and Administrative Services Act of 1949, 63 Stat. 377, as amended, and the Federal Property Management Regulations (41 CFR Part 101-49).

iii. Whenever an agency determines that it is necessary to establish a "minimal value" which is less than that established under prevailing General Services Administration regulations, such agency shall attempt to maximize employee refusal of gifts which are of such "minimal value." The purpose of this effort should be to minimize the number of token gifts deposited with the agency and thus made subject to the disposal provisions of the Act and appropriate regulations.

iv. When depositing gifts or decorations, employees may indicate their interest in participating in any subsequent sales of the items by the Government. Before gifts and decorations are sold by the General Services Administration, however, they must be offered for transfer to Federal agencies and for donation to the States. Consequently, agencies should advise employees that there is no assurance that an item will be sold or, if it is sold, that it will be feasible for an employee to participate in the sale. Instructions to employees should emphasize that the primary aim of the Act is to discourage receipt by employees of gifts of more than minimal value.

#### SECTION 5. INTRA-AGENCY ENFORCEMENT.

(a) The office within each agency charged with the responsibility for monitoring compliance shall establish procedures for taking prompt action to ensure that employees observe and obey the time limits and other requirements set forth in subsection (c), paragraphs (2) and (3), of the Act. These procedures shall be brought to the attention of all agency employees. In addition to fulfillment of its obligation under subsection (g)(2)(A) of the Act to report to the Attorney General cases in which there is reason to believe that one of its employees has violated the reporting and other compliance provisions of the Act, each agency shall establish appropriate

disciplinary procedures to cover violations of the Act and its regulations, whether or not such violations result in the taking of action by the Attorney General in accordance with subsection (h) of the Act. Such disciplinary measures shall be designed to apply to employees who (1) fail to deposit tangible gifts within 60 days after acceptance, (2) fail to account properly for the acceptance of travel expenses, or (3) fail to comply with the Act's requirements respecting disposal of gifts and decorations retained for official use.

(b) The agency shall establish procedures for reviewing cases in which there exists evidence of failure of any employee to comply with the deposit and reporting requirements established by the Act. If it is determined that an employee who is the donee of a gift or is the approved recipient of travel expenses has failed to comply with the procedures established by the Act through actions within his control, the agency shall refrain from effecting an administrative resolution of the matter, but rather shall refer the case to the Attorney General for appropriate action. Where any dispute results from a difference of opinion concerning the value of a gift, the agency shall secure the services of an outside appraiser for the purpose of determining whether the gift is more or less than minimal value.

SECTION 6. DECORATIONS. Each employing agency is advised that in accordance with the Act it may authorize its employees to accept, retain and wear decorations tendered in recognition of active field service in time of combat operations or awarded for other extenuating or unusual meritorious performance. Each approval is subject to decision by the employing agency. If the employing agency decides not to approve the acceptance, retention and wearing of a particular decoration, the decoration becomes the property of the United States and must be deposited by the employee with the agency within 60 days of acceptance. The agency may then elect to retain the decoration for official use in accordance with guidelines established within the agency or else must dispose of the decoration in accordance with subsection (e) of the Act, and General Services Administration Regulations (41 CFR Part 101-49), as described in Section 4 of these guidelines.

SECTION 7. TRAVEL EXPENSES. Each agency shall notify its employees of the circumstances under which favorable consideration will be given to the acceptance of gifts of travel or travel expenses as authorized in subsection (c)(1)(B)(ii) of the Act. Except where an agency has specific interests which

may be favorably affected by employee travel wholly outside the United States, and where the agency does not normally authorize its employees to engage in such travel, the standards normally applied to determine when such travel will be in the best interests of the agency and the United States Government shall be applied in approving acceptance of travel expenses under the Act.

SECTION 8. MORE RESTRICTIVE AGENCY REGULATIONS ON RECEIPT OF GIFTS AND DECORATIONS BY ITS EMPLOYEES.

In accordance with the provisions of subsection (j) of the Act, each agency may provide more restrictive limitations on the acceptance and retention by its employees of gifts and decorations. For example, an agency may elect to establish a limitation on the number of gifts regardless of the individual value of each gift, received by an employee from a single source. An agency may also wish to establish a restriction against employees accepting gifts of more than minimal value from foreign governments even where the intended purpose of the gift tendered by the foreign official in question is "personal" in nature.

Attachment:  
Copy of Legislation

TITLE - PUBLIC CONTRACTS AND PROPERTY  
MANAGEMENT

CHAPTER 101 - FEDERAL PROPERTY MANAGEMENT  
REGULATIONS

SUBCHAPTER H - UTILIZATION AND DISPOSAL

PART 101-49 - UTILIZATION, DONATION, AND DISPOSAL  
OF FOREIGN GIFTS AND DECORATIONS

Sec.

101-49.000 Scope of part.  
101-49.001 Definitions of terms.  
101-49.001-1 Employee.  
101-49.001-2 Foreign government.  
101-49.001-3 Gift.  
101-49.001-4 Decoration.  
101-49.001-5 Minimal value.  
101-49.001-6 Employing agency.

Subpart 101-49.1 - General Provisions

101-49.101 Custody of gifts and decorations.  
101-49.102 Care and handling.  
101-49.103 Information on availability for Federal utilization or donation.  
101-49.104 Cooperation of employing agencies.  
101-49.105 Appraisals.

Subpart 101-49.2 - Utilization of Foreign Gifts and Decorations

101-49.200 Scope of subpart.  
101-49.201 Reporting.  
101-49.201-1 Gifts and decorations required to be reported.  
101-49.201-2 Gifts and decorations not to be reported.  
101-49.202 Transfers to other Federal agencies.  
101-49.203 Costs incident to transfer.  
101-49.204 Gifts and decorations no longer required by transferee agency.  
101-49.205 Disposal of tangible gifts valued at \$100 or less.  
101-49.206 Deposit of intangible gifts and monies with the Department  
of the Treasury.

Subpart 101-49.3 - Donation of Foreign Gifts and Decorations

101-49.300 Scope of subpart.  
101-49.301 Donation of gifts and decorations.  
101-49.302 Requests by public agencies and nonprofit educational and  
public health institutions and organizations.  
101-49.303 Allocation.  
101-49.304 Conditions of donation.  
101-49.305 Costs incident to donation.  
101-49.306 Withdrawal of donable gifts and decorations for Federal  
utilization.  
101-49.307 Donation of gifts and decorations withdrawn from sale.

Subpart 101-49.4 - Sale or Destruction of Foreign Gifts and Decorations

- 101-49.400 Scope of subpart.
- 101-49.401 Sale of gifts and decorations.
- 101-49.402 Approval of sales by the Secretary of State.
- 101-49.403 Responsibility for sale.
- 101-49.404 Proceeds from sales.
- 101-49.405 Destruction of gifts and decorations.
- 101-49.406 Sale or destruction of tangible gifts valued at \$100 or less.

101-49.000 Scope of part.

This part prescribes the policies and methods governing the utilization, donation, and disposal of gifts and decorations from foreign governments governed by 5 U.S.C. 7342.

101-49.001 Definitions of terms.

For the purposes of this Part 101-49 the following terms shall have the meanings set forth in this section.

101-49.001-1 Employee.

"Employee" means:

(a) an employee as defined by 5 U.S.C. 2105 and an officer or employee of the United States Postal Service or the Postal Rate Commission;

(b) an expert or consultant who is under contract under 5 U.S.C. 3109 with the United States or any agency, department, or establishment thereof, including, in the case of an organization performing services under such section, any individual involved in the performance of such services;

(c) an individual employed by, or occupying an office or position in, the government of a territory or possession of the United States or the government of the District of Columbia;

(d) a member of a uniformed service;

(e) the President and the Vice President;

(f) a Member of Congress as defined by 5 U.S.C. 2106 (except the Vice President) and any Delegate to the Congress;

(g) the spouse of an individual described in (a) through (f) (unless such individual and his or her spouse are separated) or a dependent (within the meaning of section 152 of the Internal Revenue Code of 1954) of such an individual, other than a spouse or dependent who is an employee under (a) through (f).

101-49.001-2 Foreign government.

"Foreign government" means:

(a) any unit of foreign governmental authority, including any foreign national, State, local, and municipal government; or

(b) any international or multinational organization whose membership is composed of any unit of foreign government described in (a); and

(c) any agency or representative of any such unit or such organization, while acting as such.

101-49.001-3 Gift.

"Gift" means a tangible or intangible present (other than a decoration) tendered by, or received from, a foreign government.

101-49.001-4 Decoration.

"Decoration" means an order, device, medal, badge, insignia, emblem, or award tendered by, or received from, a foreign government.

101-49.001-5 Minimal value.

"Minimal value" means a retail value in the United States at the time of acceptance of \$100 or less, except that:

(a) on January 1, 1981, and at 3-year intervals thereafter, "minimal value" will be redefined in regulations prescribed by the Administrator of General Services, in consultation with the Secretary of State, to reflect changes in the consumer price index for the immediately preceding 3-year period; and

(b) regulations of an employing agency may define "minimal value" for its employees to be less than the value provided under this section.

101-49.001-6 Employing agency.

"Employing agency" means:

(a) the Committee on Standards of Official Conduct of the House of Representatives, for Members and employees of the House of Representatives, except that those responsibilities specified in 5 U.S.C. 7342(c)(2)(A), (e), and (g)(2)(B), shall be carried out by the Clerk of the House;

(b) the Select Committee on Ethics of the Senate, for Senators and employees of the Senate;

(c) The Administrative Office of the United States Courts, for judges and judicial branch employees; and

(d) the department, agency, office, or other entity in which an employee is employed, for other legislative branch employees and for all executive branch employees.

## 101-49.1 General Provisions.

### 101-49.101 Custody of gifts and decorations.

(a) GSA generally will not take physical possession of gifts or decorations handled under this part. Such property shall remain in the custody and be the responsibility of the employing agency.

(b) GSA will direct the disposition of gifts and decorations when reported by the employing agency:

- (1) By transfer to Federal agencies;
- (2) By donation for public display or reference purposes;
- (3) By sale with the approval of the Secretary of State; or
- (4) By destruction.

### 101-49.102 Care and handling.

Each employing agency shall be responsible for and bear the cost of performing care and handling of gifts and decorations pending disposition and removal from their physical custody.

### 101-49.103 Information on availability for Federal utilization or donation.

GSA will provide information on the availability of gifts and decorations to Federal agencies and appropriate State agencies for surplus property requesting such notification.

### 101-49.104 Cooperation of employing agencies.

Employing agencies shall cooperate fully in the inspection of gifts and decorations in their custody and in providing assistance in pick-up and shipment upon receipt of GSA-approved documentation.

### 101-49.105 Appraisals.

Employing agencies will be required to appraise specific gifts and decorations when requested by GSA.

## Subpart 101-49.2 Utilization of Foreign Gifts and Decorations.

### 101-49.200 Scope of subpart.

This subpart 101-49.2 prescribes the policies and methods governing utilization and transfer within the Federal government of foreign gifts and decorations.

### 101-49.201 Reporting.

#### 101-49.201-1 Gifts and decorations required to be reported.

(a) Except as provided in subsection 101-49.201-2, tangible gifts and decorations which are not retained for official use or returned to the donor shall be reported to GSA within 30 days after deposit of the gift



or decoration with the employing agency. Tangible gifts and decorations which have been retained for official use and have not been returned to the donor shall be reported to GSA within 30 days after termination of the official use. Gifts and decorations shall be reported on Standard Form 120, Report of Excess Personal Property (see §101-43.4901-120), to GSA (3FW) Washington, D.C. 20407. The SF 120 shall be conspicuously marked "FOREIGN GIFTS AND/OR DECORATIONS" and include the following information:

- (1) The name and position of the employee recipient;
- (2) A full description of the gift or decoration;
- (3) The identity, if known, of the foreign government and the name and position of the individual presenting the gift or decoration;
- (4) The estimated value in the United States of the gift or decoration at the time of acceptance, or the appraised value, if known;
- (5) Current location of the gift or decoration;
- (6) The name, address, and telephone number of the responsible accountable official in the employing agency;
- (7) An indication whether the employee recipient is interested in participating in the sale of the gift or decoration if sold by GSA.

(b) Gifts and decorations received by the President or a member of the President's family will be reported to the Office of Presidential Libraries, National Archives and Records Service, Washington, D.C. 20408, as provided in (a) above.

(c) The Central Intelligence Agency may delete the information required in (a) (1) and (3) of this subsection if the Director of Central Intelligence certifies in writing to the Secretary of State that the publication of such information could adversely affect United States intelligence sources.

#### 101-49.201-2 Gifts and decorations not to be reported.

The following gifts and decorations shall not be reported to GSA:

- (a) Tangible gifts valued at \$100 or less (see §101-49.205).
- (b) Decorations which are retained by the employee recipient with the approval of the employing agency.
- (c) Gifts and decorations retained by the employing agency for official use, except upon termination of the official use.
- (d) Gifts and decorations returned to the donor.
- (e) Intangible gifts, such as checks, money orders, bonds, shares of stock, and other securities and negotiable instruments (see §101-49.206).
- (f) Cash, currency, and monies, except those with possible historic or numismatic value (see §101-49.206).

Gifts and decorations covered by (b), (c), and (d) above, will be handled in accordance with employing agency regulations.

#### 101-49.202 Transfers to other Federal agencies.

(a) Gifts and decorations will be made available for transfer for a period of 60 calendar days following receipt by GSA (3FW) of the SF 120 to activities specified in §101-43.315-1. Transfers will be made as deemed appropriate by GSA, generally on a first-come, first-served basis.

(b) Transfers will be accomplished by submitting for approval a Standard Form 122, Transfer Order Excess Personal Property (see §101-43.4901-122), or any other transfer order form approved by GSA, to GSA (3FW) Washington, D.C. 20407. The SF 122 or other transfer order form shall be conspicuously marked "FOREIGN GIFTS AND/OR DECORATIONS" and include all information furnished by the employing agency listed in §101-49.201-1(a).

#### 101-49.203 Costs incident to transfer.

All transfers of gifts and decorations will be made without reimbursement, except that direct costs incurred by the employing agency in actual packing, preparation for shipment, loading, and transportation may be recovered by the employing agency from the transferee agency if billed by the employing agency (see §101-43.317-1).

#### 101-49.204 Gifts and decorations no longer required by transferee agency.

Gifts and decorations no longer required by the transferee agency shall be reported as provided in §101-49.201-1.

#### 101-49.205 Disposal of tangible gifts valued at \$100 or less.

Tangible gifts valued at \$100 or less shall be returned to the employee recipient or disposed of by the employing agency in accordance with §101-49.406.

#### 101-49.206 Deposit of intangible gifts and monies with the Department of the Treasury.

Intangible gifts, and cash, currency, and monies not required to be reported to GSA shall be deposited by the employing agency with the Department of the Treasury in accordance with applicable laws and regulations.

#### Subpart 101-49.3 Donation of Foreign Gifts and Decorations.

##### 101-49.300 Scope of subpart.

This subpart 101-49.3 prescribes the policies and methods governing the donation of foreign gifts and decorations to public agencies and nonprofit educational and public health institutions and organizations for public display purposes, and in the case of books or manuscripts, for public display or reference purposes.

#### 101-49.301 Donation of gifts and decorations.

Gifts and decorations for which there is no Federal requirement as determined by GSA will be made available at the discretion of GSA to appropriate public agencies and nonprofit educational and public health institutions and organizations for a period of 21 calendar days following the period of Federal utilization provided in §101-49.202(a).

Donations of gifts and decorations will be made for public display purposes, and in the case of books or manuscripts, for public display or reference purposes. Donations will be made in accordance with Subpart 101-44.2, except as otherwise provided in this Subpart 101-49.3.

#### 101-49.302 Requests by public agencies and nonprofit educational and public health institutions and organizations.

Donations of gifts and decorations to public agencies and nonprofit educational and public health institutions and organizations will be accomplished by submitting for approval a Standard Form 123, Transfer Order Surplus Personal Property (see §101-44.4901-123), to GSA (3FW) Washington, D.C. 20407, through the State agency. The SF 123 shall be prepared and distributed in accordance with the instructions illustrated in §101-44.4901-123-1 and shall be conspicuously marked "FOREIGN GIFTS AND/OR DECORATIONS."

#### 101-49.303 Allocation.

Allocation of gifts and decorations will be made by GSA on a fair and equitable basis for the maximum public benefit. Eligible donees may be required to support requests for gifts or decorations with written justification. The following criteria will be applied by GSA in effecting allocation and transfer of gifts and decorations among the States:

- (a) Requests submitted through the State agency for a specific gift or decoration where the donee requesting the property has an association or relationship to the employee recipient. Such a request may be further supported by a letter from the employee recipient.
- (b) Significance of the gift or decoration to the requesting donee.
- (c) Requests by public museums.
- (d) Quantity and value of the gift or decoration.
- (e) Prior receipt of similar items.
- (f) Other criteria as deemed appropriate by GSA.

#### 101-49.304 Conditions of donation.

The State agency shall require the donee to agree, in writing, to the following special handling conditions and use limitations imposed by GSA on the donation of gifts or decorations:

(a) The donee, at its expense, will be responsible for making arrangements for and removing the property, and for the packing, handling, reasonable insurance and transportation costs of the gift or decoration from the employing agency.

(b) The gift or decoration shall be used for public display purposes, and in the case of books or manuscripts, for public display or reference purposes, at such times and in such manner as other similar items are displayed or used in the donee's exhibition or reference rooms. The gift or decoration shall not be used for the personal benefit of any individual.

(c) The donee will place the gift or decoration into use for public display or reference purposes within 12 months following receipt and use the gift or decoration in accordance with this section for a period of restriction of 36 months after being placed in use. GSA may impose additional restrictions covering the handling and use of any gift or decoration.

(d) In order to determine whether the donee is complying with the conditions of the donation, the donee shall allow the right of access to the premises, and inspection of the gift or decoration by duly authorized representatives of GSA or the State agency at reasonable times.

(e) The use of the gift or decoration will be conducted in compliance with all the requirements imposed by GSA regulations (Subpart 101-6.2 and §101-44.118) issued under the provisions of Title VI of the Civil Rights Act of 1964, Title VI of the Federal Property and Administrative Services Act of 1949, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended.

(f) During the period of restriction, the donee shall make no attempt to pledge, assign, lease, sell, dispose of, or transfer title to the gift or decoration, directly or indirectly, or do or allow anything to be done which would cause the gift or decoration to be seized, taken into execution, attached, stolen, damaged, or destroyed.

(g) In the event the donee no longer desires or ceases to use the gift or decoration for public display or reference purposes as provided in this section during the period of restriction, it shall notify GSA (3FW) Washington, D.C. 20407, through the State agency and, upon demand by GSA, title and right to possession of the gift or decoration shall revert to the United States of America. In such event, the donee shall comply with transfer or disposition instructions furnished by GSA through the State agency, with costs of transportation, handling, and reasonable insurance during transportation to be paid by the donee or the Government as GSA shall direct.

101-49.305 Costs incident to donation.

Costs incurred incident to donation of gifts and decorations shall be handled in accordance with §101-44.104.

101-49.306 Withdrawal of donable gifts and decorations for Federal utilization.

Gifts and decorations set aside or approved for donation may be withdrawn for Federal utilization in accordance with §101-44.101.

101-49.307 Donation of gifts and decorations withdrawn from sale.

Gifts and decorations which are being offered for sale may be withdrawn and approved for donation in accordance with §101-44.107.

101-49.4 Sale or Destruction of Foreign Gifts and Decorations.

101-49.400 Scope of subpart.

This Subpart 101-49.4 prescribes the policies and methods governing the disposal by sale or destruction of foreign gifts and decorations which are not needed for Federal utilization or donation as determined by GSA.

101-49.401 Sale of gifts and decorations.

Gifts and decorations shall be sold by competitive bid sales or negotiated sales as deemed appropriate by the selling activity in accordance with Part 101-45, except as otherwise provided in this Subpart 101-49.4. The employee recipient of a gift or decoration who indicates an interest in purchasing it will, to the extent feasible, be given an opportunity to participate in the sale of the gift or decoration.

101-49.402 Approval of sales by the Secretary of State.

The approval of the Secretary of State or his designee shall be obtained prior to offering any gift or decoration for sale.

101-49.403 Responsibility for sale.

Except as provided in §101-49.406, GSA will be responsible for the sale of gifts and decorations. Sales will be conducted by or at the direction of GSA (3FW) Washington, D.C. 20407. Employing agencies shall cooperate fully with GSA in the sale of gifts and decorations in their custody.

101-49.404 Proceeds from sales.

The gross proceeds from the sale of gifts and decorations shall be deposited in the Treasury as miscellaneous receipts, unless otherwise authorized by law or regulation.

101-49.405 Destruction of gifts and decorations.

Gifts and decorations which are not sold pursuant to this Subpart 101-49.4 may be destroyed and disposed of as scrap or for their material content.

101-49.406 Sale or destruction of tangible gifts valued at \$100 or less.

Employing agencies are hereby delegated authority to sell or destroy tangible gifts valued at \$100 or less in accordance with this subpart 101-49.4.

**AUTHORITY:** The provisions of this Part 101-49 issued under sec. 205(c), 63 Stat. 390, 40 U.S.C. 486(c), and sec. 515, 91 Stat. 862, 5 U.S.C. 7342.

THE WHITE HOUSE

WASHINGTON

December 5, 1977

Meeting with Secretary Califano

Tuesday, December 6, 1977

9:30 a.m.

The Cabinet Room

From: Stu Eizenstat  
Jack Watson

*Stu*  
*Jack*

I. PURPOSE

For an overview of the elementary and secondary reauthorization decisions which have been tentatively made, and to indicate future directions for federal policy.

II. BACKGROUND AND PARTICIPANTS

- A. Background: All of the major elementary and secondary education legislation expires next year; this includes education for the disadvantaged, desegregation, and bilingual education. The Congress has been holding hearings regularly since last Spring. Both houses have begun work on their bills to be marked-up in January or February.

The Department of Health, Education and Welfare has been working on this expiring legislation since last Spring. Although we have seen agency and OMB working papers, we did not receive their final proposals until Sunday evening.

- B. Participants: Secretary Califano, Ben Heineman, Mary Berry, Ernest Boyer, Jim McIntyre, Bo Cutter, Sue Woolsey, Stu Eizenstat, Jack Watson, Bert Carp, Beth Abramowitz.

### III. RECOMMENDATIONS

1. That this meeting be for information purposes only.
2. That no decisions on the HEW proposals (and no decision to permit Congressional consultation) be made until OMB and the Policy Staff review the proposals. OMB agrees with these recommendations.



THE WHITE HOUSE  
WASHINGTON

12-5-77

To: Tim & Fran

What happened to the  
8 - 3 pm schedule with two  
afternoons off each week?  
I need time for paperwork  
and study (& rest). Would  
you like to try again?

J.C.